

# **WINTHROP UNIVERSITY**

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**Independent Auditor's Report**  
**Financial Statements and Schedules**  
**For the Year Ended June 30, 2021**



# WINTHROP UNIVERSITY

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## **FINANCIAL INFORMATION**

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## Independent Auditor's Report

The Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Winthrop University, a component unit of the State of South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Winthrop University Foundation and the Winthrop University Real Estate Foundation, Inc., which represent 100 percent of the aggregate discretely presented component units presented in the financial statements. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for these aggregate discretely presented component units is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. The financial statements of The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of Winthrop University as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of the Net Pension Liability and Contributions, and the Schedule of the University's Proportionate Share of the Net OPEB liability and Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

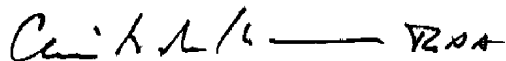
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winthrop University's basic financial statements. The other financial information is presented for purposes of additional analysis as required by Office of the South Carolina Comptroller General and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The other financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, on our consideration of Winthrop University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Gaffney, SC  
September 30, 2021



**WINTHROP UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University (the University) for the year ended June 30, 2021. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37, 38 and 61 that were issued to amend Statements 34 and 35. In the year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. In the year ended June 30, 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Introduction**

Winthrop is a public, comprehensive university that is ranked 6th by U.S. News & World Report among Southern public universities and 13<sup>th</sup> among regional universities in the South. Through an educational experience that blends liberal arts, professional programs, global awareness and civic engagement, Winthrop helps students develop the knowledge, skills, and values that will enrich their lives and prepare for all the future holds.

Founded in 1886, Winthrop offers bachelor's and master's degrees through both on-campus and online programs. Our historic and scenic campus is located in Rock Hill, South Carolina, just 20 minutes south of Charlotte. Our traditions of national caliber academics, championship athletics, and student-centered achievements create a campus community that is known for its diversity, excellence, and family atmosphere.

Winthrop is one of only 37 universities nationally and the only one in South Carolina with all arts programs accredited, and the business college's AACSB-accreditation is held by less than 5% of programs worldwide.

Through the SC INBRE initiative, Winthrop has provided hundreds of student-centered research experiences since 2005, increasing the matriculation of participating students into graduate and professional programs. These grant-funded initiatives have been a catalyst for enhancing our STEM-specific infrastructure and brought more than \$12 million to Winthrop over the years.

Over 930 undergraduate students engaged in undergraduate research last year. More than 190 of these students, representing at least 30 departments and programs from all five colleges, presented or performed their scholarly and creative work on campus. All students at Winthrop can choose to do undergraduate research with a professor and present their research locally, regionally and/or nationally.



Numerous national accolades reflect the sustained high quality and value of the Winthrop Experience, including:

U.S. News “Best Colleges” ranked Winthrop 6th among Southern publics, 13<sup>th</sup> among regional schools public and private, 11<sup>th</sup> for best undergraduate teaching, 12<sup>th</sup> for most innovative schools, and once again a Best College for Vets. The Princeton Review has counted us among the best southeast colleges for 15+ years, based on academic excellence and student testimonials. Our educational quality, affordability and alumni success prompted Money Magazine to name us a best college for value.

Minority student achievement remains strong with the Education Trust having named **Winthrop #2 in the nation** for high rates of graduation success for black students. For diversity in the workplace, Winthrop is ranked **1st among state institutions** for reaching goals related to the hiring of women and minorities.

Washington Monthly most recently included us on a list of best colleges for student voting, but we’ve also been recognized before for our voter friendly campus and impressive turnout. Additionally, the West Forum trains our state’s next generation of political and civic leaders and sponsors programs, events and activities that promote civic engagement.

The Princeton Review included us in its green colleges guide for our impressive green-related affiliations and accreditations, plus our sustainability efforts. We have a robust recycling and sustainability education program. Our energy and water conservation, solid waste reduction and air quality measures helped us become a City of Rock Hill Certified Green Workplace.

Effective March 1, 2020, Dr. George W. Hynd was named as Interim President to replace Dr. Daniel Mahony who left Winthrop to serve as the President of the University of Southern Illinois system. Dr. Hynd will serve as Interim President until June 2022 at which point the University hopes to announce its next President. As of the date of this report, the search has begun and the University is working with an external firm to help with the process. During Dr. Hynd’s tenure, he will be leading the University through the SACSCOC decennial reaffirmation while also focusing on a 5-year review and refresh of the Winthrop Plan. Dr. Hynd will also focus on overseeing the creation of a 3-year budget planning model to support the institutions strategic planning efforts.

Due to COVID-19, Congress has passed the Coronavirus Aid Relief, and Economic Security Act (CARES Act), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Act (ARPA). (See Note 13 for more details)

Given the COVID-19 pandemic that has caused many uncertainties in higher education and at Winthrop, Dr. Hynd will continue to lead the University in new strategic planning efforts that focus on academic offerings, space utilization, deferred maintenance, technology, and an underlying Budget model to support the funding of the execution of the strategic plan.

### **Statement of Net Position**

The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Winthrop University. The Statement of Net Position is a point-of-time financial statement that presents data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position of the University as of the end of the fiscal year. Current assets are those that are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is not available for expenditure. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. The unrestricted portion of net position is available to the institution for any lawful purpose of the University. Although the unrestricted portion is not subject to externally imposed restrictions, substantially all of the University's unrestricted net position is designated for various academic or future capital initiatives.

The following Condensed Statement of Net Position has been presented to comply with the changes required by GASB Statements 68 and 75. The unrestricted net position is a negative as a result of the adoption of GASB 68 and 75 and the recognition of the University's proportionate share of the net liabilities for the South Carolina Retirement System (SCRS), the South Carolina Police Officers Retirement System (PORS), and Other Postemployment Benefits (OPEB). For additional information, see Impact of GASB 68 and 75 on page 9, as well as Notes 10 and 11 in the accompanying notes to the financial statements.

#### CONDENSED STATEMENT OF NET POSITION

	2019	2020	2021	Increase/ (Decrease)
<b>ASSETS</b>				
Current Assets	\$ 33,106,707	36,692,822	51,133,333	14,440,511
Capital Assets, Net of Accumulated Depreciation	96,857,435	91,555,695	87,792,179	(3,763,516)
Other Noncurrent Assets	16,165,380	15,403,215	14,137,745	(1,265,470)
Total Assets	146,129,522	143,651,732	153,063,257	9,411,525
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	19,116,510	21,268,437	38,641,203	17,372,766
<b>LIABILITIES</b>				
Current Liabilities	26,180,370	27,119,276	28,382,758	1,263,482
Noncurrent Liabilities	36,816,057	30,190,731	23,963,365	(6,227,366)
Net Pension Liability	93,404,144	89,631,822	101,672,982	12,041,160
Net OPEB Liability	85,509,791	85,399,328	102,144,088	16,744,760
Total Liabilities	241,910,362	232,341,157	256,163,193	23,822,036
<b>DEFERRED INFLOWS OF RESOURCES</b>	14,847,054	21,950,677	16,986,703	(4,963,974)
<b>NET POSITION</b>				
Net Investment in Capital Assets	59,239,206	60,046,354	62,228,551	2,182,197
Restricted for Nonexpendable	499,628	499,628	499,628	-
Restricted for Expendable	2,362,028	2,478,208	2,307,712	(170,496)
Unrestricted *	(153,612,246)	(152,395,855)	(146,481,327)	5,914,528
Total Net Position	\$ (91,511,384)	(89,371,665)	(81,445,436)	7,926,229

\*See Impact of GASB 68 and 75 on page 9. Exclusive of the GASB 68 and 75 changes, the Unrestricted Net Position increased by \$12,048,394 to a total of \$36,650,650.

- Current Assets increased by \$14,440,511. Cash and Cash equivalents increased \$13.2M. This increase is primarily due to receiving over \$12M from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the Coronavirus Relief Fund passed through the SC State Office (SC CARES). Cash also increased \$1.8M as a result of timing of Accounts Payable recorded at year end. Current Accounts Receivable increased \$848K, of which \$418K is due to timing with the University's component units (see Note 1). In addition, an increase in the Institutional Capital Project Fund cash of \$220K resulted from the State Treasurer's transfer of \$418K in debt service in excess of what was needed for upcoming debt payments and was primarily offset by \$212K in funds transferred out to cover renovation project expenses that occurred during the year. The University recognized an increase of approximately \$182K related to CERRA's state funded Rural Teacher Recruitment (RTR) grant program (reported as unearned revenue). Lastly, prepayments increased by \$329K for payments made in FY2021 related to FY2022 expenses.
- Capital Assets, Net of Accumulated Depreciation decreased by \$3,763,516 which was primarily a result of depreciation expense in the amount of \$3,884,980 offset slightly by the value of assets placed into service during the fiscal year.
- Other Noncurrent Assets decreased by \$1,265,470. Of this decline, \$431K was recognized in Restricted Cash and Cash Equivalents as a result of expenditures from CERRA's Teaching Fellows Transfer account during the fiscal year, as well as the required repayment of Perkins Loan funds (see Note 4) net of collections. In addition, Perkins Loans Receivables declined by \$301K as a result of the year's collections on loans. Noncurrent Accounts Receivable, Net decreased approximately \$465K primarily due to an increase in the Allowance for Doubtful Accounts for student accounts.
- Deferred Outflows of Resources increased by \$17,372,766, which related to the Net Pension (NPL) and Net OPEB (NOL) liabilities. Under GASB 68 and 75, the investment and net liability experience and contributions subsequent to the measurement date are reported in Deferred Outflows of Resources. Variances from year to year can be related to such measurements as differences between expected and actual experience, changes of assumptions, and net difference between projected and actual earnings on investments. See Notes 10 and 11 for additional details.
- Current Liabilities increased by \$1,263,482 overall, of which \$1.3M was in Accounts Payable and Accrued Liabilities primarily because of timing differences of accrued expenses recorded at year end. Additionally, unearned revenue increased by approximately \$173K primarily related to CERRA's state funded Rural Teacher Recruitment (RTR) grant program and will be recognized in FY22. These increases were offset by a total of \$211K decline in the current portions of Long-Term Debt and Compensated Absences.
- Noncurrent Liabilities decreased by \$6,227,366. Long-Term debt and related premiums on Long-Term debt decreased by \$6,139,175. This decrease in debt resulted from the principal payments made, as well as the bond premium amortized. The Perkins Loan Federal Liability also declined by a net total of \$336,038 as a result of the repayment of excess funds to the Department of Education and the University (see Note 4). These reductions were offset by a \$247,847 increase in the Long-Term portion of the Compensated Absences liability.

- Net Pension Liability (NPL) increased by \$12,041,160. This liability is the University's proportionate share of the pension liability amount related to its defined benefit plans. The NPL amount is provided by the South Carolina Public Employee Benefit Authority's (PEBA's) consulting actuary, and reported in accordance with the GASB 68 requirements. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. (See Note 10 for more details).
- Net OPEB Liability increased by \$16,744,760. This liability is the University's proportionate share of the postemployment benefits other than pension. The Other Postemployment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF). These OPEB Trusts are administered by PEBA - Insurance Benefits. The OPEB liability amount is reported in accordance with the GASB 75 requirements. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future such as future employment, mortality, and the healthcare cost trend. Like the Net Pension Liability, the net OPEB liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. (See Note 11 for more details).
- The University's overall net position increased by \$7,926,229.
  - Net Investment in Capital Assets increased by \$2,182,197. As mentioned earlier, the overall Capital Asset, Net of Accumulated Depreciation value declined by \$3,763,516 as a result of the depreciation expense in excess of the value added for new assets. However, this is offset with current year debt payments net of change in amortized premiums, debt proceeds on hand, and the advanced refunding (in Deferred Outflows of Resources) in the amount of \$5,945,713.
  - Restricted for Expendable Net Position decreased by \$170,496 primarily as a result of an increase of \$9,377 in debt service funds offset by an \$43,817 decline in loan funds representing the reduction of the University's portion of the Perkins Loan fund after the required return of the program's excess cash to the Department of Education and the University. The remaining \$136,056 represents decreases in Restricted Scholarships and non-exchange Restricted Grants.
  - And finally, the Unrestricted Net Position increased by \$5,914,528 overall. Exclusive of GASB 68 and 75 changes, the Unrestricted Net Position actually increased by \$12,048,394 in fiscal year 2021. (See additional explanation in Impact of GASB 68 and 75 that follows.) This increase was offset by a decrease of \$6,133,866 in the Unrestricted Net Position resulting from changes in the NPL and the NOL.

### **Impact of GASB 68 and 75**

The GASB 68 and 75 standards create *accounting* liabilities rather than legal liabilities. Although pursuant to accounting standards, the University must report its proportionate share of the pension and other postemployment benefit liabilities for the state's defined benefit retirement and other postemployment benefit plans, the University has no legal requirement to fund or pay out that share of the liabilities. The University is responsible only for making the contributions required by state law during any given year, and cannot pay down or pay off its proportionate shares because they are multiple employer cost-sharing plans. Internally, the University's management must continue to ensure that the University's financial position is sound. In fiscal year 2021, when excluding the GASB 68 and 75 impact, the University's Unrestricted Net Position actually increased by \$12,048,394 to a total of \$36,650,650. This increase was primarily a result of the CRRSAA and SC CARES funds that totaled over \$12M.

Following is the University's net position with the GASB 68 and 75 impact reported discretely.

<b>NET POSITION</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Increase/ (Decrease)</b>
Net Investment in Capital Assets	\$ 59,239,206	60,046,354	62,228,551	2,182,197
Restricted for Nonexpendable	499,628	499,628	499,628	-
Restricted for Expendable	2,362,028	2,478,208	2,307,712	(170,496)
Unrestricted (exclusive of GASB 68 and 75)	22,484,366	24,602,256	36,650,650	12,048,394
Unrestricted (GASB 68 and 75 portion)	(176,096,612)	(176,998,111)	(183,131,977)	(6,133,866)
Total Net Position	<u>\$ (91,511,384)</u>	<u>(89,371,665)</u>	<u>(81,445,436)</u>	<u>7,926,229</u>

### **Statement of Revenues, Expenses and Changes in Net Position**

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the revenues received by the University, both operating and nonoperating, the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are reported as nonoperating because they are provided by the legislature to the University without the legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis of accounting. Accrual accounting records the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid. Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

# **CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Increase/ (Decrease)</b>
Operating Revenues	\$ 101,924,555	99,561,404	92,861,560	(6,699,844)
Operating Expenses	132,478,900	133,239,483	134,429,160	1,189,677
Operating Loss	(30,554,345)	(33,678,079)	(41,567,600)	(7,889,521)
Nonoperating Revenues (Expenses)	31,671,196	35,532,317	46,819,848	11,287,531
Gain before Other Revenues, Expenses, Gains, or Losses	1,116,851	1,854,238	5,252,248	3,398,010
Other Revenues, Expenses, Gains, or Losses	429,103	285,481	2,673,981	2,388,500
Increase/(Decrease) in Net Position	1,545,954	2,139,719	7,926,229	5,786,510
Net Position – Beginning of Year	(93,057,338)	(91,511,384)	(89,371,665)	2,139,719
Increase/(Decrease) in Net Position	1,545,954	2,139,719	7,926,229	5,786,510
Net Position – End of Year	\$ (91,511,384)	(89,371,665)	(81,445,436)	7,926,229

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position for the year. Some highlights of the information presented on the Statement of Revenues, Expenses and Changes in Net Position are as follows:

- Operating Revenues decreased overall by \$6,699,844.
  - Net Student Tuition and Fees revenue decreased by \$1,252,307. However, of this decrease, actual gross Student Tuition and Fees decreased by \$1,839,590 which was offset by a decrease of \$587,283 in the Scholarship Discounts and Allowances amount. This decline in the Discount and Allowances amount was attributable to decreased enrollment in undergraduate programs, as well as a modest reduction in athletic and general scholarship offerings. An enrollment increase in the University's 100% online graduate programs resulted in the \$2.1M increase in gross Student Tuition and Fee revenues.
  - Grants and Contracts primarily stayed flat with a slight increase of \$235,761 due to normal programming.
  - Sales and Service of Educational Activities declined by \$1,148,323. This decline was almost exclusively a consequence of the COVID-19 pandemic. The cancellation and reduction of events and/or the return of fees negatively influenced the revenues related to MacFeat fees, University events, West Center memberships and rentals, College of Visual and Performance Arts (CVPA) events, and Parking fees.
  - Sales and Services Athletic Activities decreased by \$585,489 primarily in Big South distributions, advertising revenue, and athletic guarantees. Again, this is almost exclusively a consequence of the COVID-19 pandemic.

- Operating revenues for Sales and Services of Auxiliary Enterprise Activities also decreased by \$3,451,172 primarily resulting from the University's residence hall waivers issued due to the COVID-19 pandemic as well as a reduction in enrollment. These waivers allowed students with 100% on-line schedules or health concerns to forego the freshman and sophomore requirement to live on campus.
- Other Fees and Other Operating Revenues also declined by a total of \$498,314 in revenues received from grant administrative, student payment plan fees, and student application fees. This was primarily due to a decline in orientation revenue due to timing of orientation charges. In addition, there was a decline in student payment plan fees that was realized as a result of the University offering application fee waivers and relaxing the payment plan late fee assessments during the year given the COVID related challenges faced by students and their parents.
- Operating Expenses increased overall by \$1,189,677.
  - Personnel Costs decreased by \$4,370,866, which was primarily due to the mandatory furloughs and vacancy savings. In addition to these costs, the University also recognized a slight decrease of \$16K in the University's accrued vacation leave expenses.
  - Fringe Benefit expenses increased by \$5,066,783, actual fringe costs exclusive of GASB 68 & 75 decreased by \$338K.
  - Within Operating Expenses, Services and Supplies increased by \$988,457. Services and Supplies expenses increased in auxiliary enterprises, primarily due the closure during last fiscal year that started in March of 2020 and lasted through the end of the fiscal year, which reduced prior year costs.
  - Utility expenses stayed relatively flat with a slight decrease of \$31K in FY21 as compared to FY20, which was primarily due to education moving to remote learning and Faculty/Staff working remotely from March 2020 through March 2021.
  - Scholarship and Fellowship expenses increased by \$275,297. Of that amount, \$2,917,944 represents the CARES Act and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) grants awarded students in the FY21 for emergency assistance for costs related to the COVID-19 pandemic. This compared to \$2,456,050 award in FY20 through the CARES Act.
  - Depreciation expenses declined by \$739,133. This decline occurred because the annual depreciation expense for assets fully depreciated was greater than the annual depreciation expenses for newly acquired assets.

- Nonoperating Revenues (Expenses) increased by a total of \$11,287,531.
  - State Appropriation revenues remained relatively flat with a slight decrease in total by \$162,090. For FY21, the state passed a continuing resolution that kept the state funding the same as FY20. The decrease was primarily due to the Bonus Plan allocations that the state provided in FY20; however, there were no bonuses given in FY21.
  - Federal Grants and Contracts increased by \$12,587,442. This increase was primarily a result of \$12,733,047 for the HEERF and SC CARES funding, when compared to FY20 funding.
  - Gift revenues increased by \$428K primarily in contributions from the Winthrop Foundation for named, athletic, and unrestricted scholarship awards (\$698K). This increase was offset (\$270K) by a one-time procedural change in investment funding from the University's food service vendor.
  - Investment Income decreased by \$1,221,203 as a result of net restate to market adjustments recorded for the funds held and invested by the State Treasurer.
  - Interest Expense decreased by \$78,560 resulting from the pay down of debt with no new debt issued.
  - Other Nonoperating Revenues decreased by \$412K. This revenue remained relatively flat after removing the recognition of the prior year gain of \$530K from the sale of the Coke Building.
- As a result of the changes in revenues and expenses, the University's overall Net Position increased by \$7,926,229 in fiscal year 2021.

### **Capital Asset and Debt Activity**

The University issued no new debt in fiscal year 2021. With no new issues, and the year's principal and interest payments, as well as the amortization of bond premiums, the University's Long-Term debt (including bond premium) was reduced by \$6.1M in 2021.

In fiscal year 2021, despite the effects of the COVID-19 pandemic, the University remained in full compliance with all debt covenants.



## **Economic Outlook**

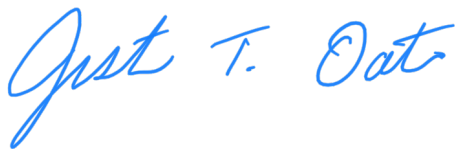
As a public institution, the University's economic outlook is directly affected by the State of South Carolina's economic position. In the Fiscal Year 2021-22 Appropriations Bill, the University received an additional \$1.9M in recurring appropriations, \$7.5M in nonrecurring appropriations to be used to address campus building maintenance needs, and an additional \$9,188,419 in nonrecurring appropriations that are to be used for renewal and replacement of infrastructure and technology.

Primarily driven by the impact of the COVID pandemic, Fall 2021 initial enrollment projections reflect a decline in undergraduate enrollment but an increase in graduate enrollment. Despite the decline in revenues driven by enrollment, the University anticipates a increase in room and board auxiliary revenues in FY2021-22. The prior year's decline in room and board revenue was a result of the University's response to COVID-19. Freshmen and Sophomore students who normally were required to live on campus were allowed to opt-out of living on campus in FY2020-21. In addition, the number of weeks students were allowed to live in the residence halls during FY2020-21 were reduced.

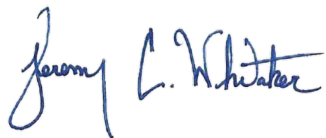
In order to offset the decline in tuition revenues, the University continues to control and monitor expenses in order to balance the FY2022 Budget. Based on known assumptions, the University has reduced the FY22 budget by over \$5M when compared to the FY21 budget (after taking into consideration the FY21 furloughs, FY21 State COVID-19 expense reimbursement, and new FY22 state mandated increases in compensation, health, and retirement). In addition, the University continues to seek out and apply for reimbursement opportunities related to the COVID-19 pandemic. The University still has \$7.5M in the American Rescue Plan funding that was allocated in FY2021 and will be used in FY2022 to assist with COVID-response related items.

As the full impact of the pandemic is currently unknown, the University's Board of Trustees and management will continue to monitor economic factors and will adjust budget projections accordingly to ensure the University's overall financial position remains sound.

In addition, the University is planning to spend a portion of the increase of FY21 net position to invest in the campus's information technology infrastructure. This will allow better access to internet across campus, better education and institutional support, and increase student satisfaction.



Justin T. Oates  
Vice President for Finance and Business Affairs



Jeremy C. Whitaker  
Associate Vice President for Finance

**WINTHROP UNIVERSITY**  
Statement of Net Position  
June 30, 2021

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 44,173,618
Accounts Receivable, Net	4,747,185
Inventories	381,894
Accrued Interest Receivable	100,648
Prepayments	1,729,988
Total Current Assets	<u>51,133,333</u>

**NONCURRENT ASSETS**

Cash and Cash Equivalents	
Restricted	11,193,936
Endowment	993,836
Accounts Receivable, Net	799,717
Perkins Loans Receivable, Net	1,150,256
Capital Assets, Net	87,792,179
Total Noncurrent Assets	<u>101,929,924</u>
Total Assets	<u>153,063,257</u>

**DEFERRED OUTFLOWS OF RESOURCES**

38,641,203

Total Assets and Deferred Outflows of Resources

191,704,460

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	15,086,552
Unearned Revenue	6,180,466
Current Portion of Long-Term Debt	5,467,320
Current Portion of Compensated Absences	1,648,420
Total Current Liabilities	<u>28,382,758</u>

**NONCURRENT LIABILITIES**

Compensated Absences	1,389,014
Perkins Loan Federal Liability	1,363,716
Bond Premium on Long-Term Debt	1,762,084
Long-Term Debt	19,448,551
Net Pension Liability	101,672,982
Net OPEB Liability	102,144,088
Total Noncurrent Liabilities	<u>227,780,435</u>
Total Liabilities	<u>256,163,193</u>

**DEFERRED INFLOWS OF RESOURCES**

16,986,703

Total Liabilities and Deferred Inflows of Resources

273,149,896

**NET POSITION**

Net Investment in Capital Assets	62,228,551
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	499,628
Expendable:	
Scholarships and Fellowships	266,715
Grants	386,781
Loans	148,370
Debt Service	1,505,846
Unrestricted	<u>(146,481,327)</u>
Total Net Position	<u>\$ (81,445,436)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2021

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees (of which \$185,948 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5 and \$5,342,556 of Revenues are Pledged for General Obligation Bonds) (Net of Scholarship Discounts and Allowances of \$35,262,656)	\$ 48,210,065
Grants and Contracts	29,210,078
Sales and Services of Educational Activities	1,361,256
Sales and Services of Athletic Activities	1,483,991
Sales and Services of Auxiliary Enterprise Activities (of which \$9,863,472 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)	11,366,035
Other Fees	953,097
Other Operating Revenues	277,038
Total Operating Revenues	<u>92,861,560</u>

**EXPENSES**

Personnel Costs	53,246,383
Fringe Benefits	28,255,031
Service and Supplies	33,493,450
Utilities	3,257,368
Scholarships and Fellowships	12,291,948
Depreciation	3,884,980
Total Operating Expenses	<u>134,429,160</u>
Operating Loss	<u>(41,567,600)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	20,288,826
Grants and Contracts	(11,343)
Federal Grants and Contracts	24,394,503
Gifts	2,211,903
Investment Income/(Loss)	56,768
Interest Expense	(909,848)
Other Nonoperating Revenues	789,039
Net Nonoperating Revenues	<u>46,819,848</u>
Gain Before Other Revenues, Expenses, Gains or Losses	5,252,248
Federal Capital Grants and Contracts	-
Capital Appropriations	2,673,981
Increase/(Decrease) in Net Position	<u>7,926,229</u>

**NET POSITION**

Net Position - Beginning of Year	<u>(89,371,665)</u>
Net Position - End of Year	<u><u>\$ (81,445,436)</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2021

**CASH FLOWS FROM OPERATING ACTIVITIES**

CASH RECEIVED FROM

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 48,762,292
Grants and Contracts	29,024,975
Sales and Services of Educational Activities	1,370,281
Sales and Services of Athletic Activities	1,703,078
Sales and Services of Auxiliary Enterprise Activities	11,366,035
Other Fees	953,097
Collection of Loans	(37,622)
Receipts of Funds Held for Others	(806,572)
Inflows from Federal Direct Lending Loans to Students	40,094,146
Other Receipts	277,038

CASH PAID FOR

Personnel Costs	(53,100,435)
Fringe Benefits	(22,193,739)
Service and Supplies	(32,398,188)
Utilities	(3,257,368)
Students	(12,243,102)
Loans to Students	-
Payments of Funds Held for Others	500,271
Outflows from Federal Direct Lending Loans to Students	(40,205,981)

Net Cash Used by Operating Activities	(30,191,794)
---------------------------------------	--------------

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	20,566,192
Gifts and Grants	2,200,559
Federal Grants and Contracts	24,398,990
Commissions	415,011
Other Sources	374,028
Principal Paid on Noncapital Debt and Lease	(5,285,000)
Proceeds from Debt	(671,854)

Net Cash Provided by Noncapital Financing Activities	41,997,926
--	------------

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Capital Debt	-
Capital Appropriations	2,003,984
Purchases of Capital Assets	(121,464)
Proceeds from Sale of Assets	-
Principal Paid on Capital Debt and Lease	(335,197)
Interest and Fees	(668,150)

Net Cash Used by Capital and Related Financing Activities	879,173
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	63,975
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Net Cash Provided by Investing Activities	63,975
---	--------

Net Change in Cash and Cash Equivalents	12,749,280
Cash and Cash Equivalents - Beginning of Year	43,612,110
Cash and Cash Equivalents - End of Year	\$ 56,361,390

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2021

**Reconciliation of Operating Loss to Net Cash  
Provided (Used) by Operating Activities:**

Operating Loss	\$ (41,567,600)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	3,884,980
Change in Assets and Liabilities:	
Accounts Receivable, Net	(20,790)
Inventories	(22,540)
Prepayments	(329,206)
Deferred Outflows of Resources	(17,676,736)
Accounts Payable and Accrued Liabilities	1,482,755
Accrued Salaries and Related Expenses	(116,050)
Unearned Revenue	173,367
Net Pension Liability	12,041,161
Net OPEB Liability	16,744,760
Deferred Inflows of Resources	(4,975,317)
Compensated Absences	189,422
	<hr/>
Net Cash Used by Operating Activities	<u><u>(30,191,794)</u></u>

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

Cash and Cash Equivalents Classified as Current	44,173,618
Cash and Cash Equivalents Classified as Noncurrent Restricted	11,193,936
Cash and Cash Equivalents Classified as Noncurrent Endowment	<hr/>
	993,836
	<hr/>
	<u><u>56,361,390</u></u>

**Non-Cash Transactions:**

Disposal of Capital Assets	-
Acquisition of Capital Assets Through Donations	<hr/>
	6,908
	<hr/>
	<u><u>\$ 6,908</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**  
(With comparative information for December 31, 2019)

<b>Assets</b>	Net Assets	Net Assets	December 31	
	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Cash and Equivalents	\$ 755,636	-	755,636	583,695
Pledge Receivables	240,537	2,127,255	2,367,792	1,793,701
Less: Pledge Discounts	(3,947)	(30,395)	(34,342)	(92,425)
Less: Allowance for Doubtful Accounts	(60,134)	(255,879)	(316,013)	(354,983)
Pooled Investments, at Fair Value	2,481,936	71,839,973	74,321,909	64,220,077
Reimbursements Due	29,152	1,533	30,685	-
Split Interest Investments, at Fair Value	-	2,190,694	2,190,694	2,072,301
Cash Value of Life Insurance	-	53,915	53,915	72,644
Property Held for Resale	-	-	-	480,000
Office Furniture and Equipment, at Cost	164,528	-	164,528	164,528
Less: Accumulated Depreciation	(164,528)	-	(164,528)	(164,528)
<b>Total Assets</b>	<b>3,443,180</b>	<b>75,927,096</b>	<b>79,370,276</b>	<b>68,775,010</b>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts Payable	149,666	17,715	167,381	237,324
Payroll Liabilities	19,419	-	19,419	18,394
Actuarial Liability of Annuities Payable	-	1,734,298	1,734,298	1,721,418
Guaranteed Lease Liability	-	52,600	52,600	-
<b>Total Liabilities</b>	<b>169,085</b>	<b>1,804,613</b>	<b>1,973,698</b>	<b>1,977,136</b>
Net Assets:				
Without Donor Restrictions				
Designated	2,668,920	-	2,668,920	1,949,253
Undesignated	605,175	-	605,175	362,502
With Donor Restrictions				
Time Restricted	-	5,928,995	5,928,995	4,397,767
Held in Perpetuity	-	68,193,488	68,193,488	60,088,352
<b>Total Net Assets</b>	<b>3,274,095</b>	<b>74,122,483</b>	<b>77,396,578</b>	<b>66,797,874</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,443,180</b>	<b>75,927,096</b>	<b>79,370,276</b>	<b>68,775,010</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(With comparative information for the year ended December 31, 2019)

			December 31	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020 Total	2019 Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Contributions	\$ 379,165	3,061,569	3,440,734	4,857,664
Provision for Doubtful Accounts	18,564	20,406	38,970	(125,606)
Provision for Pledge Discounts	12,382	45,701	58,083	15,957
Investment Earnings	889,464	9,370,786	10,260,250	11,811,465
Change in Value of Split-Interest Trusts	-	(12,879)	(12,879)	(345,192)
Change in Cash Surrender Value	-	(18,729)	(18,729)	1,264
Loss on Sale of Property Held for Resale	-	(227,447)	(227,447)	(115,000)
Other Revenue	-	12,341	12,341	32,356
Total	1,299,575	12,251,748	13,551,323	16,132,908
Net Assets Released From Restrictions	1,905,508	(1,905,508)	-	-
<b>TOTAL</b>	<b>3,205,083</b>	<b>10,346,240</b>	<b>13,551,323</b>	<b>16,132,908</b>
<b>EXPENSES</b>				
Management and General Operating:				
Salaries and Benefits	162,867	-	162,867	190,736
Directors' Expenses	10,213	-	10,213	2,504
Rent	4,207	-	4,207	4,153
Telephone	1,830	-	1,830	1,848
Office Supplies, Postage and Printing	13,018	-	13,018	6,628
Insurance	7,780	-	7,780	9,612
Professional Fees	23,718	-	23,718	14,357
Software	6,299	-	6,299	9,988
Property Management Fees and Utilities	14,443	-	14,443	31,507
Travel and Entertainment	1,520	-	1,520	1,984
Dues and Fees	225	-	225	-
Credit Card and Bank Fees	11,272	-	11,272	12,463
Total Operating	257,392	-	257,392	285,780
Fund Raising:				
Salaries and Benefits	19,389	-	19,389	131,867
Salaries and Benefits - Advancement Support	104,777	-	104,777	-
Professional Fees	69,596	-	69,596	-
Annual Fund	34,500	-	34,500	40,019
Donor Relations	10,500	-	10,500	16,991
Travel	21,913	-	21,913	33,861
Rent	341	-	341	337
Advancement	2,500	-	2,500	8,029
Total Fund Raising	263,516	-	263,516	231,104
Program:				
Salaries and Benefits	205,523	-	205,523	215,085
President's Salary Supplement	155,215	-	155,215	175,280
General Scholarships	130,000	-	130,000	140,000
Restricted Scholarships, Grants and Annuities	1,890,990	-	1,890,990	2,746,833
Alumni Association	29,570	-	29,570	29,570
Rent	6,823	-	6,823	6,734
President and Vice President's Discretionary	13,590	-	13,590	50,030
Total Program	2,431,711	-	2,431,711	3,363,532
<b>TOTAL</b>	<b>2,952,619</b>	<b>-</b>	<b>2,952,619</b>	<b>3,880,416</b>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	<b>252,464</b>	<b>10,346,240</b>	<b>10,598,704</b>	<b>12,252,492</b>
Transfers				
Management Fee	709,876	(709,876)	-	-
<b>NET ASSETS, BEGINNING</b>	<b>2,311,755</b>	<b>64,486,119</b>	<b>66,797,874</b>	<b>54,545,382</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 3,274,095</b>	<b>74,122,483</b>	<b>77,396,578</b>	<b>66,797,874</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 1,159,267	-	1,159,267
Trustee cash reserved for operations	928,159	-	928,159
Prepaid expenses	33,752	-	33,752
Total current assets	2,121,178	-	2,121,178
Noncurrent assets:			
Bond closing costs, net	97,400	-	97,400
Trustee cash reserved for debt service	1,057,633	-	1,057,633
Trustee cash reserved for repairs	1,067,697	-	1,067,697
Trustee cash reserved for operating contingencies	271,410	-	271,410
Property and equipment, net	10,790,178	-	10,790,178
Total noncurrent assets	13,284,318	-	13,284,318
Total assets	15,405,496	-	15,405,496
<b><u>Liabilities and Net Assets</u></b>			
Current liabilities:			
Accounts payable	895,822	-	895,822
Current portion of long-term debt	685,000	-	685,000
Total current liabilities	1,580,822	-	1,580,822
Noncurrent liabilities:			
Long-term debt	11,865,000	-	11,865,000
Notes payable	-	-	-
Total noncurrent liabilities	11,865,000	-	11,865,000
Total liabilities	13,445,822	-	13,445,822
Net Assets:			
Without donor restrictions			
Designated by the Board of Directors	522,718	-	522,718
Undesignated	1,436,956	-	1,436,956
With donor restrictions			
Purpose restricted	-	-	-
Total net assets	1,959,674	-	1,959,674
Total liabilities and net assets	\$ 15,405,496	-	15,405,496

The accompanying notes are an integral part of these financial statements.



**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Program revenues	\$ 2,464,642	-	2,464,642
Net assets released from restrictions			
Satisfaction of program restrictions	-	-	-
Total revenues, gains, and other support	2,464,642	-	2,464,642
Expenses and losses:			
Program services	2,313,070	-	2,313,070
Management and general	34,368	-	34,368
Mission gifts to related parties	-	-	-
Total expenses and losses	2,347,438	-	2,347,438
Change in net assets	117,204	-	117,204
Net assets, December 31, 2019	1,842,470	-	1,842,470
Net assets, December 31, 2020	\$ 1,959,674	-	1,959,674

The accompanying notes are an integral part of these financial statements.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements  
June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations:** Winthrop University (the "University") is a State-supported, coeducational institution of higher education. Winthrop's primary mission is to provide personalized and challenging undergraduate, graduate and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited.

**Reporting Entity:** Historically, the University has been treated as a part of the primary government of the State of South Carolina, and its funds were previously reported in the state's higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. During fiscal year 2012-13, the State of South Carolina implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34. As a result of this implementation, the University is now reported as a discretely presented component unit on the State of South Carolina's Comprehensive Annual Financial Report. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government instead of blending the University's financial information into the State's financial information.

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The University has determined that the financial reporting entity consists of the primary government, Winthrop University, as well as its' component units, The Winthrop University Foundation (the Foundation) and Winthrop University Real Estate Foundation, Inc. (WUREF, Inc.).

The Foundation, a legally separate component unit of Winthrop University, is an independent not-for-profit tax exempt public charity incorporated under the laws of South Carolina on November 8, 1973, and organized to foster, cooperate, and assist in the growth, development, and advancement of the University. The Foundation is governed by an independent Board of Directors, and is exclusively a charitable and educational corporation within the meaning of section 501(c) (3) of the IRS Code of 1954.

In March 2018, the Foundation formed a wholly owned subsidiary, The Winthrop University Foundation Land and Real Estate Subsidiary, LLC (LLC). The purpose of the LLC is to hold donated real estate held for the benefit of the Foundation. It is the Foundation's intent to liquidate held assets and transfer proceeds to the Foundation.

Due to the common control, the Foundation's consolidated financial statements include the activities of both entities. All significant inter-company accounts and transactions have been eliminated. The concept of consolidation for financial statement purposes ignores the legal concept of separate entities.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University.

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. Effective July 1, 2003, the Foundation changed its financial year-end from June 30 to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2020. Complete financial statements for the Foundation can be obtained by calling 803-323-2229.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Reporting Entity:** Continued

WUREF, Inc., also a legally separate component unit of Winthrop University, is a nonprofit corporation organized under the laws of the State of South Carolina in August 1999. WUREF, Inc. was formed for the benefit of the University and their stated purpose is to encourage gifts of real estate and to develop, own, manage, lease and sell real property for the University.

In fulfilling this purpose, WUREF, Inc. has formed two separate, wholly owned subsidiaries. In December 2001, WUREF Development, LLC (WUREF, LLC) was created in order to construct a new student housing opportunity for the University. The Courtyard at Winthrop (The Courtyard), a 406-bed, townhouse-style housing facility was completed and opened for occupancy in January 2003. WUREF, LLC's charge is to ensure the continued viability of The Courtyard through maximum occupancy percentages and fiscal responsibility.

In November 2003, WUREF, Inc. also formed Winthrop Real Estate, LLC (WRE, LLC). WRE, LLC was created in order to develop, own, manage, lease and sell real property for the University.

All financial activities of the two separate organizations have been consolidated in the financial statements of WUREF, Inc.

The majority of resources, or income thereon, that WUREF, Inc. holds and invests are restricted to the activities of the University. Because these restricted resources held by WUREF, Inc. can only be used by, or for the benefit of, the University, WUREF, Inc. is considered a component unit of the University.

WUREF, Inc. is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. WUREF, Inc. previously maintained a June 30 accounting year-end. On October 21, 2003, the board of directors elected to revise its fiscal year end to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2020. Complete financial statements for WUREF, Inc. can be obtained by calling 803-323-2205.

The Foundation and WUREF, Inc. report their financial results in accordance with Financial Accounting Standard Board (FASB) Statements. Most significant to their operations and reporting models are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit-Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to either the Foundation or WUREF, Inc.'s financial information in the University's financial reporting entity for these differences, however significant note disclosures (See Note 19) to the Foundation and WUREF Inc.'s financial statements have been incorporated into the University's Notes to the Financial Statements.

**Basis of Presentation:** Effective July 1, 2001, the financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also meets the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Basis of Presentation:** Continued

For 2013, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the University's 2013 financial statements; however, there was no effect on beginning net position.

Effective for the fiscal year ending June 30, 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 identifies deferred outflows of resources and deferred inflows of resources for certain items previously reported as assets and liabilities. Adoption of this statement resulted in no material impact to the University.

Effective for the fiscal year ending June 30, 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*. The University reports its proportionate share of the State of South Carolina's net pension liability (See Note 10).

Effective for the fiscal year ending June 30, 2018, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The University reports its proportionate share of the State of South Carolina's net Other Post Employment Benefits (OPEB) liability (See Note 11).

**Basis of Accounting:** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-institutional transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**Accounts Receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students. Accounts receivable also include amounts due from the Federal government, State and Local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The Perkins Loan Receivable is presented entirely as noncurrent (see Note 3).

**Inventories:** Inventories are carried at cost determined by using the first in first out method for all inventories except Printing Services whose inventory is based on "last price paid" and the Health Center inventory of pharmaceutical drugs and miscellaneous items which is based on last in first out.

**Prepayments:** Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$1,000 for which payment had been made prior to June 30, 2021 but for which the goods or services would not be received until after July 1, 2021.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The University has selected a useful life of 25 to 50 years for buildings, renovations and land improvements. The useful life for machinery, equipment and vehicles varies between 2 and 25 years depending on the asset. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition. Effective July 1, 2011, all new purchases of capital assets are depreciated based on the prorated number of days in service in the year acquired. In the year the asset is disposed, depreciation is calculated for the prorated number of days in service until the asset is removed from service.

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period.

**Deferred Outflows of Resources and Deferred Inflows of Resources:** Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined these elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

Deferred outflows of resources includes the deferred amount on a bond refunding which is being recognized as a component of interest expense in a systematic manner over the life of the debt. Deferred inflows of resources represents resources received on voluntary nonexchange transactions relating to a future period.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. See Note 10 for further details.

Changes in net OPEB liability not included in OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net OPEB liability are reported as deferred outflows of resources. See Note 11 for further details.

**Unearned Revenues:** Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but relate to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Other types of unearned revenues represent admissions prepayments and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

**Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Position, and as a component of personnel costs in the Statement of Revenues, Expenses and Changes in Net Position.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Net Position:** The University's net position is classified as follows:

*Net investment in capital assets:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted net position - nonexpendable:* Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net position - expendable:* Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted net position:* Unrestricted net position represents resources derived from student tuition and fees, appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**Classification of Revenues:** The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, health services and other related services to students; (2) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (3) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Certain indentures require the University to pledge various revenues to meet debt payments. The University has disclosed those revenues pledged on the face of the Statement of Revenues, Expenses and Changes in Net Position.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, interest income and any grants and contracts that are not classified as operating revenues or restricted by the grantor to be used exclusively for capital purposes.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Scholarship Discounts and Allowances:** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**Sales and Services of Educational Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research and public service activities that incidentally create goods and services which may be sold to students, faculty, staff and the general public. The University receives such revenues primarily from public service activities.

**Sales and Services of Athletic Activities:** Revenues from sales and services of athletic activities generally consist of amounts received from athletic event ticket sales, advertising sales and participatory fees received from opposing teams.

**Sales and Services of Auxiliary Enterprises Activities:** Auxiliary enterprise revenues primarily represent revenues generated by housing, cafeterias, health services, vending and bookstore. Internal services of auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

**Use of Estimates in Accounting:** The University has used estimates in certain situations to enable it to properly prepare the financial statements. Estimates are used to determine the useful life of long-lived assets such as buildings and equipment. The University has used estimates as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives. In addition, the University has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for doubtful accounts. The University uses an aging analysis to estimate this allowance - the longer the accounts receivable has gone unpaid, the greater the possibility the amount will not be collected.

**Income Taxes:** Winthrop University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

**Component Units:** See Note 19.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**

All deposits of the University are under the control of the State Treasurer, who by State law, has sole authority for investing State funds.

The following schedule reconciles deposits to the Statement of Net Position amounts:

STATEMENT OF NET POSITION:	
Cash and Cash Equivalents - Current	\$ 44,173,618
Cash and Cash Equivalents - Restricted	
Debt Service	1,884,512
Capital Project	3,697,329
Student Loan	4,923,019
Grants and Contracts	689,076
Other	-
Cash and Cash Equivalents - Endowment	993,836
Total	<u>56,361,390</u>
DEPOSITS:	
Cash on Hand	425,444
Deposits Held by State Treasurer	55,935,946
Other Deposits	-
Total	<u>\$ 56,361,390</u>

Perkins Loan Program Cash

At June 30, 2021, Winthrop University had approximately \$315,000 in an account with a Financial Institution for exclusive use by the Perkins Loan Program. Approximately \$65,000 of these funds are not insured or collateralized.

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2021, Winthrop University had \$55,935,946 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Concentration of Credit Risk and Market Risk - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation's concentration of potential credit and market risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies that require the investment portfolio be adequately diversified among types, issuers, industries and geographic regions and utilizes multiple investment managers. At December 31, 2020, the Foundation's operating bank balances exceeded the FDIC insurance limits by \$31,880. These deposits were in a high credit quality institution and, as of the date of the Foundation's financial statements were available to be issued, there had been no losses associated with these accounts.

Concentration of Credit Risk - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

WUREF, Inc. maintains bank accounts at various banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an individual institution up to \$250,000. The amounts on deposit at each bank, at times during the year, may have exceeded the federally insured limit. The amount on deposit in excess of the federally insured limit at December 31, 2020 was \$4,192,161.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation considers all interest-bearing money market accounts and short-term investments with an initial maturity of three months or less at the date of purchase to be cash equivalents. The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation provides coverage for certain qualifying and participating non-interest-bearing transaction accounts up to an aggregate of \$250,000 per taxpayer.

As of December 31, 2020, cash balances exceeded the FDIC insurance limits by \$31,880.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Cash and cash equivalents at December 31, 2020 were as follows:

Unrestricted	\$	1,159,267
Restricted		-
Total cash and cash equivalents	\$	<u>1,159,267</u>

Restricted cash is generated by real estate gifts and must be transferred to The Winthrop University Foundation (a related party) when the related real estate gifts are sold in the future.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Trustee Cash - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

WUREF, LLC has funds related to the issuance of bonds for the purposes of The Courtyard; these funds are held by the Trustee. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in the bond issuance. The trustee cash accounts at December 31, 2020 are as follows:

Trustee cash reserved for operations	\$ 928,159
Trustee cash reserved for debt service	1,057,633
Trustee cash reserved for repairs	1,067,697
Trustee cash reserved for operating contingencies	<u>271,410</u>
Total trustee cash	<u><u>\$ 3,324,899</u></u>

Availability of Assets - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,159,267
Trustee cash reserved for operations	928,159
Accounts receivable	-
Prepaid expenses	<u>33,752</u>
Total financial assets available	\$ 2,121,178
Less: amounts not available to be used within one year:	
Net assets designated by the Board	<u>(522,718)</u>
Financial assets available to meet general expenditures	
Over the next twelve months	<u><u>\$ 1,598,460</u></u>

Liquidity Management - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Winthrop University Foundation's financial assets available within one year of the balance sheet date for unrestricted expenditures are as follows:

Cash and Equivalents	\$ 385,862
Uncommitted board restricted reserve	369,774
Reimbursements due	29,153
Contributions receivable, current	<u>95,597</u>
Financial assets available within one year	<u><u>\$ 880,386</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Liquidity Management - Non Governmental Discretely Presented Component Unit, Continued

***The Winthrop University Foundation***

The Foundation strives to maintain cash and short-term investment balances on hand to meet 60 days of ordinary business expenses. Budgeted operating expenses for the coming year are estimated at \$168,264 per 60-day period. The cash balance at year-end exceeded the estimated cash needed for operations in preparation for the large scholarship invoices typically received in the first quarter of each calendar year. In addition to cash on hand in the operating account, the Foundation's Investment Policy Statement requires at least 75% of the portfolio to be allocated to liquid investments with conversion to cash of no more than three days.

The Board also maintains a reserve for unrestricted net assets. At year-end, the reserve account had an uncommitted balance of \$369,774 which was derived from market earnings on non-endowed funds. The Foundation does not maintain a line of credit.

Investments - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation has invested with Vanguard for four years. The investment portfolio includes all net assets with donor restrictions. Pooling these assets serves to maximize the earning potential of the funds.

Investments, excluding cash equivalents, at December 31, 2020 are summarized as follows:

	<u>Vanguard</u>
US Equity Index Funds	\$ 29,816,761
Non-US Equity Index Funds	20,423,777
US Fixed Income Index Funds	15,172,784
Non-US Fixed Income Index Funds	5,288,069
REIT Index Funds	<u>3,520,690</u>
Total Investments	<u><u>\$ 74,222,081</u></u>

The Foundation's brokerage account also had a balance of \$99,828 at December 31, 2020, which represented proceeds from the sale of donor restricted stock gifts waiting to be transferred to the investment portfolio.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Fair Value Measurements - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation is required to present its financial instruments using a framework that measures fair value under accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This statement requires fair value measurements to be classified and disclosed in one of the following three categories (Fair Value Hierarchy):

- |         |  |
|---------|--|
| Level 1 | Financial instruments with unadjusted, quoted prices listed on active market exchanges.  |
| Level 2 | Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument. |
| Level 3 | Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.   |

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation's investments measured at fair value at December 31, 2020 were all considered Level 1. The following is a description of the valuation methodologies used for the Foundation's assets measured at fair value at December 31, 2020:

***EFTs, Mutual Funds, US and Non-US Equity Funds, US and Non-US Fixed Income Funds:*** Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded (Level 1).

***Equities:*** Valued at the closing price reported on the active market on which the individual securities are traded (Level 1).

***REIT Index Funds:*** Shares in real estate investment trusts are actively traded and are reflected at the daily closing price (Level 1).

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Management of Underwater Funds - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

It is the Foundation's policy to distribute annually up to 4% of the 5-year average trailing balance of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return on investment. However, it is understood that this total return basis for calculating spending is sanctioned by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), under which guidelines the Foundation is permitted to invade the corpus to the extent that the value of the corpus exceeds 85% of the original gift value, with the stipulation that donors must agree to the invasion of their corpus. In practice, invading the corpus for any amount below 100% of corpus is only done in very rare circumstances where withholding funds might prevent a student from returning to Winthrop. The Investment Committee monitors policies of peer institutions as well as industry best practices. The spending policy and investment policy statement are reviewed on an annual basis.

Additionally, the Foundation Board allocated an endowment management fee of 1.5% in 2020, which is comparable to the industry average. Since moving all investments to Vanguard in 2016, investment advisory fees have also been substantially reduced, from an average of 2% annually to 0.29% in 2020.

At December 31, 2020, none of the Foundation's endowments were underwater, compared to 1.17% in 2019. The decline in underwater funds is attributable to net market gains of 14.67% in 2020.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2021, are summarized as follows:

Student Accounts	\$ 4,253,754
Less Allowance for Doubtful Accounts	(1,804,099)
Student Loans Receivable - Federal Perkins	1,150,256
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	587,707
State Grants and Contracts	289,781
Local Grants and Contracts	23,261
Foundations	1,262,715
Capital Reserve Funds	744,605
Capital Improvement Bond Funds	141
Other	189,037
Total Accounts Receivable, Net of Allowance	6,697,158
Less: Noncurrent Perkins Loan Receivable (See Note 4)	(1,150,256)
Less: Noncurrent Student Accounts Receivable, Net of Allowance for Doubtful Accounts	(799,717)
Accounts Receivable, Net - Current	<u>\$ 4,747,185</u>

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2021, the allowance for uncollectible student accounts is valued at \$1,804,099.

The capital reserve and capital improvement bond funds receivables represent funds held by the State Treasurer that have been expended but not drawn.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 3 – ACCOUNTS RECEIVABLE**, Continued

Pledges Receivable - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Pledges receivable consist of unconditional promises to give. Management has reviewed its receivables and determined an allowance for doubtful accounts based on historical knowledge of the accounts and current economic conditions. The discount for present value is computed using discount rates ranging from 0.15 to 0.48 percent. Pledges are expected to be collected as follows:

2021	\$ 744,734
2022	635,445
2023	493,276
2024	274,737
2025	208,500
2026 and future years	<u>11,100</u>
Total Pledges Receivable	2,367,792
Deduct:	
Allowance for doubtful accounts	(316,013)
Present value discount	<u>(34,342)</u>
Net Pledges Receivable	<u><u>\$ 2,017,437</u></u>

**NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2021. The entire receivable balance, as well as cash on hand associated with the program, is classified as Noncurrent Restricted Assets. The Perkins Loan Program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2021, the allowance for uncollectible student loans is valued at \$0 because the U.S. Department of Education has the ultimate responsibility for collecting the loan.

The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program. The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. In February 2021, the Perkins Loan Program repaid \$360,852 of excess cash to the U. S. Department of Education. In February 2021, the Perkins Loan Program also repaid \$44,613 of excess cash to the University and reimbursed the University \$1,961 for service cancellations. As of June 30, 2021, the University has recorded a long-term liability in the amount of \$1,363,716, representing the Federal portion of the loan program.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 is summarized as follows:

	Beginning Balance July 1, 2020	Increases	Decreases	Ending Balance June 30, 2021
Capital Assets Not Being Depreciated:				
Land	\$ 4,689,853	-	-	4,689,853
Construction in Progress	-	-	-	-
Collections	198,631	-	-	198,631
Total Capital Assets Not Being Depreciated	<u>4,888,484</u>	<u>-</u>	<u>-</u>	<u>4,888,484</u>
Other Capital Assets:				
Buildings and Improvements	184,917,978	-	-	184,917,978
Machinery, Equipment and Other	18,746,858	128,372	(111,220)	18,764,010
Vehicles	359,759	-	-	359,759
Total Other Capital Assets at Historical Cost	<u>204,024,595</u>	<u>128,372</u>	<u>(111,220)</u>	<u>204,041,747</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(103,240,666)	(2,893,096)	-	(106,133,762)
Machinery, Equipment and Other	(13,820,739)	(979,845)	104,312	(14,696,272)
Vehicles	(295,979)	(12,039)	-	(308,018)
Total Accumulated Depreciation	<u>(117,357,384)</u>	<u>(3,884,980)</u>	<u>104,312</u>	<u>(121,138,052)</u>
Capital Assets, Net	<u>\$ 91,555,695</u>	<u>(3,756,608)</u>	<u>(6,908)</u>	<u>87,792,179</u>

Net Investment in capital assets of \$62,228,551 as of June 30, 2021 is determined as follows:

Capital Assets, Net	\$ 87,792,179
Less Debt:	
Current Portion of Long-Term Debt	(5,467,320)
Long-Term Debt	(19,448,551)
Bond Premium on Long-Term Debt	(1,762,084)
Advanced Refunding	994,274
Plus Note Payable/Non Capital	-
Plus Unspent Bond Proceeds	<u>120,053</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 62,228,551</u>

**Equipment - Non Governmental Discretely Presented Component Unit**

***The Winthrop University Foundation***

The Foundation had \$164,528 of office furniture and equipment that was fully depreciated as of December 31, 2020. No depreciation expense was recorded for the year ended December 31, 2020.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 5 - CAPITAL ASSETS**, Continued

Property and Equipment - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Account balances as of December 31, 2020 are as follows:

Land	\$ 500,000
Buildings	15,989,063
Furniture and Fixtures	680,414
Machinery and Equipment	<u>108,840</u>
	17,278,317
Less: Accumulated Depreciation	<u>(6,488,139)</u>
Total property and equipment	<u><u>\$ 10,790,178</u></u>

Depreciation charged to expense during 2020 was \$327,518. This is a non-cash expense.

**NOTE 6 – DEFERRED OUTFLOWS OF RESOURCES**

As of June 30, 2021, deferred outflows of resources related to pension plans is \$16,179,538 (see Note 10). As of June 30, 2021, the University has deferred outflows of resources related to postemployment benefits other than pensions (OPEB) of \$21,459,892 (see Note 11).

On May 1, 2012, the University issued General Obligation Bonds to refund outstanding General Obligation Bonds (see Note 8). These current refundings and advanced refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. As of June 30, 2021, the University has \$0 remaining on this deferred amount on bond refundings which was being recognized as a component of interest expense on an annual basis over the life of the new bond.

On March 1, 2016, the University issued General Obligation Bonds to refund outstanding General Obligation Bonds (see Note 8). This advanced refunding resulted in a net deferred advance refunding of \$1,759,850. As of June 30, 2021, the University has \$885,110 remaining on this which is being recognized as a component of interest expense on an annual basis over the remaining life of the old bond or the life of the new bond, whichever is shorter.

On June 1, 2016, the University issued Higher Education Facility Revenue Bonds Series 2016A and 2016B to refund outstanding Higher Education Facility Revenue Bonds (see Note 8). These advanced refundings resulted in a net deferred advance refunding of \$436,655. As of June 30, 2021, the University has \$109,164 remaining on these which is being recognized as a component of interest expense on an annual basis over the remaining life of the old bond or the life of the new bond, whichever is shorter.

The remaining balance in deferred outflows of resources represents a deposit the University paid on a five year contract to an external vendor. At the end of the contract period, the vendor will return this deposit to the University.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts Payable and Accrued Liabilities as of June 30, 2021, are summarized as follows:

<b>CURRENT</b>	
Accrued Payroll and Related Liabilities	\$ 5,871,431
Trade Payables	3,851,426
Accrued Interest Payable	280,520
Funds Held in Trust	4,723,917
Student Deposits and Prepayments	243,620
Construction Contract Retainage	113,538
Other Accrued Liabilities	2,100
Total Accounts Payable	<u><u>\$ 15,086,552</u></u>

Accounts Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

At December 31, 2020, accounts payable primarily consisted of \$895,822 in funds owed to Winthrop University (a related party) in connection with amounts due for management of The Courtyard.

**NOTE 8 - LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2021 is as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021	Due Within One Year
Bonds, Notes and Capital Leases					
General Obligation Bonds	\$ 24,280,000	-	(3,885,000)	20,395,000	3,815,000
Unamortized Premium	2,433,939	-	(671,855)	1,762,084	-
Athletic Facilities Bond	120,000	-	(120,000)	-	-
Higher Education Facilities Bond	4,470,000	-	(1,280,000)	3,190,000	1,305,000
Notes Payable	54,211	-	(7,402)	46,809	7,514
Master Lease Program					
Notes Payable	1,471,927	-	(276,509)	1,195,418	285,171
Capital Lease Obligations (See Note 9)	139,930		(51,286)	88,644	54,635
Total Bonds, Notes and Capital Leases	<u>32,970,007</u>	<u>-</u>	<u>(6,292,052)</u>	<u>26,677,955</u>	<u>5,467,320</u>
Other Liabilities					
Accrued Compensated Absences	2,848,013	1,797,637	(1,608,215)	3,037,435	1,648,420
Perkins Loan Federal Liability	1,699,754	-	(336,038)	1,363,716	-
Total Other Liabilities	<u>4,547,767</u>	<u>1,797,637</u>	<u>(1,944,253)</u>	<u>4,401,151</u>	<u>1,648,420</u>
Total Long-Term Liabilities	<u><u>\$ 37,517,774</u></u>	<u><u>1,797,637</u></u>	<u><u>(8,236,305)</u></u>	<u><u>31,079,106</u></u>	<u><u>7,115,740</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable

Bonds payable consisted of the following at June 30, 2021:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 2012D	4.0% to 5.0%	04/01/2022	\$ 1,735,000
Series 2012E	2.5% to 5.0%	04/01/2024	685,000
Series 2013A	3.0% to 5.0%	10/01/2025	1,460,000
Series 2016B	5.00%	04/01/2029	16,515,000
Total General Obligation Bonds			<u>20,395,000</u>
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/2020	<u>-</u>
Higher Education Facilities			
Revenue Bonds Series 2016A	1.92%	04/01/2024	2,640,000
Revenue Bonds Series 2016B	2.92%	04/01/2024	550,000
Total Higher Education Facilities			<u>3,190,000</u>
Total Bonds Payable			<u><u>\$ 23,585,000</u></u>

General Obligation Bonds are backed by the full faith, credit and taxing power of the State of South Carolina. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on General Obligation Bonds. The legal debt margin for General Obligation Bonds is that the maximum amount of annual debt service shall not exceed ninety percent of tuition for the preceding fiscal year. Tuition bond fees for the preceding year 2020 were \$5,635,027, which results in a legal annual debt service at June 30, 2021 of \$5,071,525.

The Athletic Facilities Revenue Bond covenants require the University to pledge revenues from a special student fee imposed upon students as part of the cost of attending the University and a special admissions fee on all paid admissions to athletic facilities. The University paid the final installment of this debt in October 2020. The Auxiliary Facilities Revenue Bond covenants require the University to pledge the revenues of the bookstore for payment of principal and interest. The Higher Education Facilities Bond covenants require the University to pledge the net revenues from housing facilities for payment of principal and interest.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

The scheduled maturities of the bonds payable by type are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds				
2012D	2022	1,735,000	86,750	1,821,750
	2023	-	-	-
	2024	-	-	-
	2025	-	-	-
	2026	-	-	-
	2027-2031	-	-	-
	2032-2036	-	-	-
	2037-2041	-	-	-
Total Series 2012D Bonds		<u>\$ 1,735,000</u>	<u>86,750</u>	<u>1,821,750</u>
2012E	2022	220,000	23,775	243,775
	2023	230,000	12,775	242,775
	2024	235,000	5,875	240,875
	2025	-	-	-
	2026	-	-	-
	2027-2031	-	-	-
	2032-2036	-	-	-
	2037-2041	-	-	-
Total Series 2012E Bonds		<u>\$ 685,000</u>	<u>42,425</u>	<u>727,425</u>
2013A	2022	265,000	57,025	322,025
	2023	280,000	43,400	323,400
	2024	295,000	29,025	324,025
	2025	305,000	15,550	320,550
	2026	315,000	4,725	319,725
	2027-2031	-	-	-
	2032-2036	-	-	-
	2037-2041	-	-	-
Total Series 2013A Bonds		<u>\$ 1,460,000</u>	<u>149,725</u>	<u>1,609,725</u>
2016B	2022	1,595,000	825,750	2,420,750
	2023	2,795,000	746,000	3,541,000
	2024	2,945,000	606,250	3,551,250
	2025	3,105,000	459,000	3,564,000
	2026	2,000,000	303,750	2,303,750
	2027-2031	4,075,000	363,500	4,438,500
	2032-2036	-	-	-
	2037-2041	-	-	-
Total Series 2016B Bonds		<u>\$ 16,515,000</u>	<u>3,304,250</u>	<u>19,819,250</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 8 - LONG-TERM DEBT**, Continued

**Bonds Payable**, Continued

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Higher Education Facilities Revenue Bonds				
2016A	2022	1,130,000	50,677	1,180,677
	2023	1,140,000	28,986	1,168,986
	2024	370,000	7,102	377,102
	2025	-	-	-
	2026	-	-	-
	2027-2031	-	-	-
	2032-2036	-	-	-
	2037-2041	-	-	-
Total Series 2016A Bonds		<u>\$ 2,640,000</u>	<u>86,765</u>	<u>2,726,765</u>
2016B	2022	175,000	16,060	191,060
	2023	185,000	10,950	195,950
	2024	190,000	5,548	195,548
	2025	-	-	-
	2026	-	-	-
	2027-2031	-	-	-
	2032-2036	-	-	-
	2037-2041	-	-	-
Total Series 2016B Bonds		<u>\$ 550,000</u>	<u>32,558</u>	<u>582,558</u>

On May 1, 2012, the University issued at par \$13,140,000 with a premium of \$2,800,071 in General Obligation Bonds for the purpose of refunding \$14,720,000 of outstanding General Obligation Bonds (Series 2001A2, 2001B5, 2003C, 2004A1 and 2005B). The 2012D bonds bear an average coupon rate of 4.987637 percent with the final payment due April 1, 2022. The refunded bonds carried an average coupon rate of 4.189946 percent with the final payment due April 1, 2022.

The net proceeds of \$15,838,426 (after payment of \$101,645 in underwriting fees and other issuance costs) were used to repay \$5,010,000 of principal and \$19,308 of interest for Series 2001A2, 2001B5 and 2003C bonds. In order to accomplish the current refunding, the University had to pay a 1 percent call premium (\$50,100) to holders of these outstanding bonds, which was paid from the bond proceeds. There was also \$12,008 of additional proceeds remaining from the issuance that was transferred to offset any additional issuance costs.

The remaining proceeds of \$10,747,010 were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$3,040,000 and \$6,670,000, respectively, on Series 2004A1 with a call date of December 1, 2013 and on Series 2005B with a call date of October 1, 2015. Unamortized bond premiums on series 2004A1 and 2005B were \$51,126 at the date of advance refunding. As a result, Series 2004A1 and Series 2005B bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

Both refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2022. The University completed the refundings to reduce its total debt service payments over the next 10 years by \$1,580,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,203,239. As of June 30, 2021, the University has unamortized premium of \$0 which was being amortized over the life of the bond.

On May 1, 2012, Winthrop University issued \$2,245,000 in General Obligation Bonds Series 2012E with an average coupon rate of 4.203240 percent. The proceeds were used for renovations, repurposing, and other deferred maintenance projects on campus. As of June 30, 2021, the University has unamortized premium of \$18,214 which is being amortized over the life of the bond.

On December 10, 2013, Winthrop University issued \$3,045,000 in General Obligation Bonds Series 2013A with an average coupon rate of 4.152352 percent. The proceeds were used for renovations, repurposing, and other maintenance projects on campus. As of June 30, 2021, the University has unamortized premium of \$37,639 which is being amortized over the life of the bond.

On March 1, 2016, the University issued at par \$20,290,000 with a premium of \$5,505,632 in General Obligation Bonds for the purpose of refunding \$23,700,000 of outstanding General Obligation Bonds (Series 2005B, 2006A, 2008B, and 2009A). The 2016B bonds bear an average coupon rate of 5.00 percent with the final payment due April, 1, 2029. The refunded bonds carried an average coupon rate of 4.182093 percent with the final payment due April 1, 2029.

The net proceeds of \$25,555,607 (after payment of \$235,537 in underwriting fees and other issuance costs), combined with \$2,432 held in the University's debt service funds, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$3,500,000 on Series 2005B with a call date of March 31, 2016, \$3,885,000 on Series 2006A with a call date of April 1, 2016, \$8,315,000 on Series 2008B with a call date of April 1, 2018 and \$8,000,000 on Series 2009A with a call date of April 1, 2019. There was \$4,488 of additional proceeds remaining from the issuance. Unamortized bond premiums on series 2005B, 2006A, 2008B and 2009A were \$98,189 at the date of advance refunding. As a result, Series 2005B, 2006A, 2008B and 2009A bonds are considered to be defeased and the refunded portion of the liability for those bonds has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,759,850. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2028. The University completed the refunding to reduce its total debt service payments over the next 13 years by \$3,425,502 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,130,107. As of June 30, 2021, the University has unamortized premium of \$1,706,231 which is being amortized over the life of the bond.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

On June 1, 2016, the University issued \$7,735,000 in Tax Exempt Higher Education Facilities Revenue Bonds for the purpose of refunding \$7,275,000 of outstanding General Obligation Bonds (Series 2009A and 2011). The 2016A bonds bear an average coupon rate of 1.9196 percent with the final payment due April 1, 2024.

The net proceeds of \$7,566,541 (after payment of \$65,500 in issuance costs), combined with \$128,866 held in the University's debt service funds, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$2,715,000 on Series 2009A and \$4,560,000 on Series 2011 with applicable interest. There was \$102,959 of additional proceeds remaining from the issuance that was transferred to offset debt service costs on the 2016A bonds. As a result, Series 2009A and 2011 bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$420,407. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2023. The University completed the refunding to reduce its total debt service payments over the next 8 years by \$476,192 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$420,497.

On June 1, 2016, the University also issued \$1,365,000 in Taxable Higher Education Facilities Taxable Revenue Bonds for the purpose of refunding \$1,335,000 of outstanding Higher Education Facilities Taxable Revenue Bonds Series 2009B. The 2016B bonds bear an average coupon rate of 2.920 percent with the final payment due April 1, 2024.

The net proceeds of \$1,328,000 (after payment of \$15,871 in issuance costs), combined with \$23,248 held in the University's debt service fund, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$1,335,000 on Series 2009B with applicable interest. There was \$21,129 of additional proceeds remaining from the issuance that was transferred to offset debt service costs on the 2016B bonds. As a result, the Series 2009B bonds is considered to be defeased and the liability has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$16,248. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2023. The University completed the refunding to reduce its total debt service payments over the next 8 years by \$200,309 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$202,067.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 8 - LONG-TERM DEBT**, Continued

**Bonds Payable - Non Governmental Discretely Presented Component Unit**

***Winthrop University Real Estate Foundation, Inc.***

Bonds payable consists of the following at December 31, 2020:

South Carolina Jobs - Economic Development Authority  
variable rate demand Economic Development Revenue  
Bonds. Issued December 1, 2011 with an effective  
variable interest rate currently at 3.69% net of the  
effects of a fixed interest swap agreement. Interest is  
payable monthly, and principal is payable in varying  
annual installments, maturing July 1, 2033.

Direct Purchase of Series 2011	<u>\$ 12,550,000</u>
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On November 18, 2011, as part of the Series 2011 bond issuance, WUREF, LLC issued and filed the intent to redeem the then outstanding balance of the Series 2002A bond issuance of \$16,535,000. The proceeds from the Series 2011 bond issuance were put into trust on December 1, 2011, and the related bond liability was called and redeemed on December 1, 2011. In accordance with the bond documents, the related trust assets and bond liability were removed from the financial statements of WUREF, LLC effective December 31, 2011.

WUREF, LLC had entered into a \$16,400,000 fixed interest rate swap agreement in conjunction with the Series 2002A bond issuance to manage exposure from the variable interest rate. The Swap remains in effect, is used to offset the interest from the Series 2011 bond issuance and is tied to the amount and amortization of the issuance, maturing on July 1, 2022. Realized losses on monthly settlement transactions totaled \$346,111 for the year ended December 31, 2020. Under the swap agreement, WUREF, LLC has limited its interest rate risk on the variable rate bond by effectively fixing the interest rate at 3.69% regardless of market fluctuations.

Maturities on the bonds payable are scheduled as follows for years ending December 31:

2021	\$ 685,000
2022	720,000
2023	760,000
2024	805,000
Thereafter	<u>9,580,000</u>
	<u>\$ 12,550,000</u>

Certain bond issuance costs, including underwriter's fees and attorney fees in the amount of \$160,973 for the Series 2011 issuance, have been classified as other assets and are being amortized over the life of the Series 2011 issuance to its final scheduled maturity. Amortization expense for the bond closing cost was \$6,999 for the period ended December 31, 2020.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 8 - LONG-TERM DEBT**, Continued

Notes Payable

Notes payable consisted of the following at June 30, 2021:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of South Carolina Note Dated 10/24/2017	1.5%	07/01/2026	\$ 46,809
Total Notes Payable			<u>\$ 46,809</u>

A special student fee and a special admissions fee on all paid admissions to the athletic facilities are restricted to the payment of principal and interest on the athletic facilities note and are recorded in student tuition and fees revenues and other additions in the retirement of indebtedness plant funds subgroup. The bank notes will be repaid from available unrestricted sources and debt service payments will be reported as unrestricted current fund expenditures.

During fiscal year 2018, Winthrop University received a Public Entity Conserfund Loan from the South Carolina Office of Regulatory Staff in the amount of \$61,505. The proceeds were used to install LED lighting in the four-court indoor gymnasium of the West Center complex. The loan bears an interest rate of 1.5 percent and will be repaid in annual installments over a period of eight years commencing July 1, 2019 and due annually thereafter on the first day of the month, beginning on July 1, 2020 until paid in full. The University's savings in annual energy costs and lighting maintenance is expected to exceed the cost of this loan.

The note is payable in annual installments. Amounts required to complete payment of the note obligation as of June 30, 2021, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 7,514	702	8,216
2023	7,627	589	8,216
2024	7,741	475	8,216
2025	7,857	359	8,216
2026	7,975	241	8,216
2027-2031	<u>8,095</u>	<u>122</u>	<u>8,217</u>
Total Obligations	<u>\$ 46,809</u>	<u>2,488</u>	<u>49,297</u>



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 8 - LONG-TERM DEBT**, Continued

**Master Lease Program Notes Payable**

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2021, the University had bank notes payable outstanding as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Note Dated February 15, 2018	3.130%	02/15/2025	\$ 1,195,418
Total			<u>\$ 1,195,418</u>

On February 15, 2018, Winthrop University borrowed \$2,000,000 from a financial institution with an interest rate of 3.130 percent. The proceeds were being used for the purchase of physiology instructional equipment, certain biology and chemistry scientific equipment, and performing arts equipment. The note is payable in annual installments plus interest.

Amounts, including those required to complete payment of the bank note obligations as of June 30, 2021 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 285,171	37,451	322,622
2023	294,105	28,517	322,622
2024	303,320	19,303	322,623
2025	312,822	9,801	322,623
2026	-	-	-
2027-2031	-	-	-
Total Obligations	<u>\$ 1,195,418</u>	<u>95,072</u>	<u>1,290,490</u>

**NOTE 9 - LEASE OBLIGATIONS**

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2021 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2022	\$ 59,321	36,709
2023	35,125	7,222
2024	-	-
2025	-	-
2026	-	-
Later Years	-	-
Total Lease Payments	<u>94,446</u>	<u>43,931</u>
Less: Interest	<u>(5,802)</u>	<u>-</u>
Total Present Value of Lease Payments	<u>\$ 88,644</u>	<u>43,931</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 9 - LEASE OBLIGATIONS**, Continued

Capital Leases

During fiscal year 2018, the University entered into two capital leases. One lease began December 17, 2017 with the first of five annual lease installments of approximately \$21,000. This lease provided for acquisition of eighteen (18) office copier-scanning-printing devices used in offices throughout the University. A second capital lease began in June, 2018 and calls for thirty-six monthly lease payments in the amount of approximately \$3,200. This lease provided for the acquisition of two (2) high capacity color laser printers being used in the University's production printing area.

These lease agreements qualify as capital leases for accounting purposes (end-of-lease purchase option price of \$1) and, therefore, have been recorded at the present value of the future minimum lease payments as of the dates of their inception. As of June 30, 2021, the gross amount of these leased assets was \$256,573 and accumulated depreciation was \$108,113 which is reflected as Machinery, Equipment and Other in Capital Assets, Net on the Statement of Net Position. Depreciation expense for these leases for the year ended June 30, 2021 was \$32,072. Of the future commitments due for fiscal year 2022, \$54,635 will be a reduction of principal and \$4,686 will be interest expense.

Operating Leases

The University has various operating leases with external parties which include copier equipment, vehicles and building space. A majority of these leases are non-cancelable operating leases which provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total contingent rental payments for copier equipment on a cost per copy basis were \$76,086 for fiscal year 2021. For the year ending June 30, the University's non-cancelable lease expense for the vehicles and building space were \$55,081 and \$99,134, respectively. The University also secures vehicle use through cancelable operating leases with the State of South Carolina. For the year ended June 30, 2021, the University recorded expenses of \$311,570 under these cancelable leases.

**NOTE 10 - PENSION PLANS**

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 10 - PENSION PLANS**, Continued

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**Plan Descriptions**

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

**Membership**

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 10 - PENSION PLANS**, Continued

Membership, Continued

State ORP - As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 10 - PENSION PLANS**, Continued

Benefits, Continued

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 10 - PENSION PLANS**, Continued

Contributions, Continued

Effective July 1, 2020, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 21.81%. Included in the total SCRS employer contribution rate is a base retirement contribution of 15.41%, 0.15% for the incidental death benefit program and a 6.25% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement and incidental death benefit program contributions for participating employees and TERI participants to the SCRS for the years ended June 30, 2021, 2020, and 2019 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2021	15.410%	\$ 4,206,850	0.15%	\$ 40,949
2020	15.410%	\$ 4,232,806	0.15%	\$ 41,202
2019	14.410%	\$ 3,724,779	0.15%	\$ 38,772

Effective July 1, 2020, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 24.49%. Included in the total PORS employer contribution rate is a base retirement contribution of 17.84%, 0.20% for the incidental death benefit program, 0.20% for the accidental death program, and a 6.25% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2021, 2020, and 2019 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>		<u>Accidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2021	17.840%	\$ 77,658	0.20%	\$ 871	0.20%	\$ 871
2020	17.840%	\$ 109,988	0.20%	\$ 1,233	0.20%	\$ 1,233
2019	16.840%	\$ 104,296	0.20%	\$ 1,239	0.20%	\$ 1,239

Employee and employer contributions to the State ORP are at the same rates as SCRS. Employees participating in the State ORP were required to contribute 9.00% of all earnable compensation. In fiscal year 2021, the employer contribution rate for the State ORP was 15.56% plus the retiree surcharge of 6.25% that will fund retiree health and dental insurance coverage. Of the 15.56% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 10.41% retirement contribution and 0.15% incidental death benefit program contribution amounts are remitted to SCRS.

For fiscal year 2021, total contributions requirements to the ORP were \$3,700,214 (excluding the surcharge) from the University as employer and \$2,140,228 from its employees as plan members.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 10 - PENSION PLANS**, Continued

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020.

	SCRS	PORS
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return <sup>1</sup>	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5% (varies by service) <sup>1</sup>	3.5% to 9.5% (varies by service) <sup>1</sup>
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

<sup>1</sup> Includes inflation at 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2020, TPL are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 10 - PENSION PLANS**, Continued

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2020, for SCRS and PORS are presented below.

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 51,844,187,763	26,292,418,682	25,551,769,081	50.7%
PORS	8,046,386,629	4,730,174,642	3,316,211,987	58.8%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the University reported liabilities of \$100,317,139 and \$1,355,843 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2020. The University's proportion of the net pension liability was based on the University's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2020, the University's SCRS and PORS proportion was 0.392603% and 0.040885%, respectively.

For the year ended June 30, 2021, the University recognized net pension expenses of \$10,607,610 and \$113,954 for SCRS and PORS, respectively.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 10 - PENSION PLANS**, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SCRS</u>	<u>PORS</u>
Deferred Outflows of Resources		
Difference between Expected and Actual Experience	\$ 1,157,527	28,814
Changes of Assumptions	122,905	16,546
Net difference between Projected and Actual Earnings on Pension Plan Investments	7,379,167	138,835
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	971,126	2,049
University Contributions Subsequent to the Measurement Date	<u>6,290,370</u>	<u>72,199</u>
TOTAL	<u>\$ 15,921,095</u>	<u>258,443</u>
Deferred Inflows of Resources		
Difference between Expected and Actual Experience	\$ 379,342	5,968
Changes of Assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	-
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	<u>2,949,622</u>	<u>136,377</u>
TOTAL	<u>\$ 3,328,964</u>	<u>142,345</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 10 - PENSION PLANS**, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

The \$6,290,370 and \$72,199 reported as deferred outflows of resources related to pensions resulting from the University contributions subsequent to the measurement date for SCRS and PORS, respectively, during the year ended June 30, 2021 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>SCRS</u>	<u>PORS</u>
2021	\$ 254,302	(26,986)
2022	1,330,894	4,936
2023	2,833,560	32,139
2024	1,883,005	33,810
2025	-	-
Thereafter	-	-

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 10 - PENSION PLANS**, Continued

Long-Term Expected Rate of Return, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Allocation/Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>51.0%</b>		
Global Public Equity <sup>1, 2</sup>	35.0%	7.81%	2.73%
Private Equity <sup>2, 3</sup>	9.0%	8.91%	0.80%
Equity Options Strategies <sup>1</sup>	7.0%	5.09%	0.36%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate (Private) <sup>2, 3</sup>	8.0%	5.55%	0.44%
Real Estate (REITs) <sup>2</sup>	1.0%	7.78%	0.08%
Infrastructure (Private) <sup>2, 3</sup>	2.0%	4.88%	0.10%
Infrastructure (Public) <sup>2</sup>	1.0%	7.05%	0.07%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation <sup>1</sup>	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High Yield Bonds/Bank Loans <sup>1, 2</sup>	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt <sup>2, 3</sup>	7.0%	5.79%	0.40%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income <sup>1</sup>	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Return <sup>4</sup>	<u>100.0%</u>		5.80%
Inflation for Actuarial Purposes			2.25%
			<u>8.05%</u>

<sup>1</sup> Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

<sup>2</sup> The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

<sup>3</sup> RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

<sup>4</sup> The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 10 - PENSION PLANS**, Continued

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the University's proportionate share of the SCRS and PORS net pension liability calculated using the discount rate of 7.25 percent, as well as what the University's respective NPL would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

<u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
SCRS	\$ 124,330,793	100,317,139	80,265,449
PORS	1,794,908	1,355,843	1,003,302

Additional Financial and Actuarial Information

Information contained in this note was compiled from the Systems' audited financial statements for the fiscal year ending June 30, 2020, and the accounting valuation report as of June 30, 2020. Additional financial information supporting the preparation of the Schedules of Pension Amounts by Employers (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

As discussed in Note 10, the South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA – Insurance Benefits is a state agency responsible for the administration and management of the state's employee insurance programs, other postemployment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Terms commence on July first of even numbered years. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other postemployment benefits (OPEB).

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA - Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the PEBA - Insurance Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov) or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

The Other Postemployment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective in May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA - Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit OPEB plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge was 6.25% for the fiscal years ended June 30, 2021 and 2020. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. The University paid approximately \$3,259,904 and \$2,987,953 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2020 and 2019, respectively. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA – Insurance Benefits bills and collects premiums charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was \$3.22 for the fiscal years ended June 30, 2021 and 2020. The SCLTDITF premium is billed monthly by PEBA – Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of \$32,586 and \$34,036 for the years ended June 30, 2021 and 2020, respectively.

The allocation percentage of the OPEB amounts are calculated differently for each OPEB Trust. For the SCRHITF, the allocation percentage is based on the covered payroll surcharge contribution for each employer. Please note that actual covered payroll contributions received from SCRS for the fiscal year 2019 totaled \$578,838,884. However, the covered payroll contributions total includes prior year covered payroll contribution adjustments and true-ups that net to a total of \$2,724,225.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities. For the year ended June 30, 2021, the University recognized nonemployer contributions of \$754,612 in Operating Revenues, Grants and Contracts on the Statement of Revenues, Expenses and Changes in Net Position.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For financial reporting purposes, the net OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date. The total OPEB liability shown in this report is based on an actuarial valuation performed as of June 30, 2019. Update procedures were used to roll forward the total OEPB liability to the measurement date of June 30, 2020. Please see the actuarial valuation report for the fiscal year ending June 30, 2020 for additional discussion of the actuarial valuation, participant data, actuarial assumptions, and benefit provisions.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2019; update procedures were used to roll forward the total OPEB liability to June 30, 2020
Actuarial Cost Method:	Individual Entry - Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	2.45% as of June 30, 2020
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	The discount rate changed from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020; updates were also made to the healthcare trend rate assumption, including an adjustment to reflect the repeal of the "Cadillac Tax".

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Actuarial Assumptions and Methods, Continued

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2019; update procedures were used to roll forward the total OPEB liability to June 30, 2020
Actuarial Cost Method:	Individual Entry - Age Normal
Inflation:	2.25%
Investment Rate of Return:	3.00%, net of Plan investment expense; including inflation
Single Discount Rate:	2.83% as of June 30, 2020
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence:	The disability rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Expenses:	Third party administrative expenses were included in the benefit projections
Notes:	The discount rate changed from 3.04% as of June 30, 2019 to 2.83% as of June 30, 2020

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability as of June 30, 2020:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	\$ 19,703,745,672	\$ 1,652,299,185	\$ 18,051,446,487	8.39%
SCLTDITF	42,782,316	42,479,106	303,210	99.29%

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

OPEB Expense

Components of collective OPEB expense reported in the Schedule of OPEB Amounts by Employer for the fiscal year ended June 30, 2020 are presented below.

Description	SCRHITF	SCLTDITF	Winthrop University's Proportionate Share	
			SCRHITF	SCLTDITF
Service Cost	\$ 636,259,701	8,410,412	\$ 3,600,231	34,456
Interest on the Total OPEB Liability	518,306,015	1,246,540	2,932,798	5,107
Projected Earnings on Plan Investments	(40,478,153)	(1,156,704)	(229,043)	(4,739)
OPEB Plan Administrative Expense	1,018,962	106,628	5,766	437
Recognition of Outflow (Inflow) of Resources Due to Liabilities	261,262,924	(28,096)	1,478,338	(115)
Recognition of Outflow (Inflow) of Resources Due to Assets	(2,902,734)	(404,266)	(16,425)	(1,656)
Total Aggregate OPEB Expense	<u>\$ 1,373,466,715</u>	<u>8,174,514</u>	<u>\$ 7,771,665</u>	<u>33,490</u>

Additional items included in Total Employer OPEB Expense are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NOL and differences between actual employer contributions and proportionate share of total plan employer contributions.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2021, the University reported liabilities of \$102,142,846 and \$1,242 for its proportionate share of the net OPEB liabilities of the SCRHITF and the SCLTDITF, respectively. The net OPEB liability was measured as of June 30, 2020. The University's proportion of the net OPEB liability was based on the University's share of contributions to the OPEB Trust Funds relative to the contributions of all participating employers. At June 30, 2020, the University's proportion of the SCRHITF and the SCLTDITF was 0.565843% and 0.409680%, respectively.

For the year ended June 30, 2021, the University recognized net OPEB expenses of \$6,348,889 and \$33,286 for the SCRHITF and the SCLTDITF, respectively.

As discussed in paragraph 86 of GASB Statement No. 75, differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans, Continued

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SCRHITF	SCLTDITF
Deferred Outflows of Resources		
Difference between Expected and Actual Experience	\$ 2,921,379	-
Changes of Assumptions	15,200,130	5,206
Net Difference between Projected and Actual Earnings On OPEB Plan Investments	-	-
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Plan Contributions	137,781	-
University Contributions Subsequent to the Measurement Date	3,162,810	32,586
<b>TOTAL</b>	<b>\$ 21,422,100</b>	<b>37,792</b>
Deferred Inflows of Resources		
Difference between Expected and Actual Experience	\$ 2,326,159	5,157
Changes of Assumptions	4,067,850	620
Net Difference between Projected and Actual Earnings On OPEB Plan Investments	238,244	10,354
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Plan Contributions	6,833,045	1,598
<b>TOTAL</b>	<b>\$ 13,465,298</b>	<b>17,729</b>

The \$3,162,810 and \$32,586 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$3,162,810 represents the University contribution for the covered payroll surcharge of \$3,219,690 less the implicit subsidy of \$56,880 for the year ending June 30, 2021.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB outstanding at June 30, 2020 will be recognized in OPEB expense as follows:

Year Ended June 30	SCRHITF	SCLTDITF
2021	39,137	(1,974)
2022	6,214	(2,869)
2023	(45,957)	(4,019)
2024	859,355	(2,763)
2025	1,623,281	(318)
Thereafter	2,311,962	(580)

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Long-term Expected Rate of Return

The long-term expected rate of return represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

South Carolina Retiree Health Insurance Trust Fund

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Allocation-Weighted Long-Term Expected Real Rate of Return</u>
U.S. Domestic Fixed Income	80.00%	0.60%	0.48%
Cash Equivalents	20.00%	0.35%	0.07%
Total	100.00%		0.55%
Expected Inflation			2.25%
Total Return			2.80%
Investment Return Assumption			2.75%

South Carolina Long-Term Disability Insurance Trust Fund

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Allocation-Weighted Long-Term Expected Real Rate of Return</u>
U.S. Domestic Fixed Income	80.00%	0.95%	0.76%
Cash Equivalents	20.00%	0.35%	0.07%
Total	100.00%		0.83%
Expected Inflation			2.25%
Total Return			3.08%
Investment Return Assumption			3.00%

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Single Discount Rate

The Single Discount Rate of 2.45% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 2.83% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 3.00% and a municipal bond rate 2.45%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain at \$38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2041. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2041, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity Analysis

The following table presents the University's proportionate share of the SCRHITF's and the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 2.45% and 2.83% respectively, as well as what the University's proportionate share of the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

<u>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (1.45%)</u>	<u>Current Discount Rate (2.45%)</u>	<u>1% Increase (3.45%)</u>
SCRHITF	\$ 121,876,919	102,142,846	86,373,847

<u>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (1.83%)</u>	<u>Current Discount Rate (2.83%)</u>	<u>1% Increase (3.83%)</u>
SCLTDITF	\$ 7,319	1,242	(4,793)

Regarding the sensitivity of the University's proportionate share of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the University's proportionate share of the plan's net OPEB liability, calculated using the assumed trend rates as well as what the University's proportionate share of the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

<u>Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</u>			
<u>Plan</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
SCRHITF	\$ 82,674,830	102,142,846	127,709,955

The SCLTDITF's net OPEB liability is not affected by changes in the healthcare cost trend rates due to the method used to calculate benefit payments. Therefore, the sensitivity to changes in the healthcare cost trend rates have not been calculated.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued**

Additional Financial and Actuarial Information

This information was compiled from the OPEB Trust Funds audited financial statements for the fiscal year ended June 30, 2020, and the accounting and financial reporting actuarial valuations as of June 30, 2020. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the OPEB Trust Funds audited financial statements.

**NOTE 12 – DEFERRED INFLOWS OF RESOURCES**

As of June 30, 2021, deferred inflows of resources related to pension plans is \$3,471,309 (see Note 10). As of June 30, 2021, the University has deferred inflows of resources related to postemployment benefits other than pensions (OPEB) of \$13,483,027 (see Note 11). The remaining amount of deferred inflows of resources represents voluntary nonexchange transactions relating to a future period.

**NOTE 13 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University had outstanding commitments under construction contracts of \$2,667,017 at June 30, 2021 of which \$0 was attributable to capital projects and the remaining \$2,667,017 was attributable to repairs and maintenance. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$0 of authorized state capital improvement bond proceeds available to draw at June 30, 2021.

Due to the COVID 19 pandemic that materialized in March 2020, the University continues to evaluate what effect the coronavirus will have on its operation with respect to revenues, the collectability of receivables including timing concessions, the ability to obtain necessary materials and supplies, and the ability to manage and protect the health and safety of students, faculty and staff, all within the guidelines and mandates of federal, state, and local governments and officials.

In response to the onset of the Coronavirus in March 2020, Congress has passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Act (ARPA). These Higher Education Emergency Relief Fund (HEERF) allocations are being administered by Department of Education and consist of two components, a Student Aid portion and an Institutional Portion.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 13 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS,** Continued

In FY20, the University disbursed \$2,456,050 of CARES Act Student Aid funds to our students. Through the CARES appeal process, the University awarded an additional \$11,550 and \$223,465 of emergency grants to our students in July 2020 and December 2020, respectively, from this same funding source. Beginning March 24, 2021, the University disbursed emergency student aid grants under the name CRRSAA Emergency Grants of \$2,078,099. Within 30 days, the University disbursed the remaining balance of \$604,830 of CRRSAA funds to our students.

In April 2020, the University provided fee adjustments of \$3,030,911 to students based on their unused portions of Spring 2020 residence hall, meal plan, and parking permit charges. Due to a two-week delayed opening of the residence halls for Fall 2020, the University provided additional fee adjustments to our students. Both of these fee adjustments caused revenue reductions in the housing, dining, and parking funds. For FY21, the University also incurred lost revenues in excess of \$7M related to tuition, auxiliary services, and other revenues. To help mitigate the financial impact of these revenue reductions, the University used the \$8.4M of funding allocated from the HEERF institutional portion as well as the funding the University received of \$624,517 from HEERF as part of the Strengthening Institutions Program.

For the fiscal year ending June 30, 2021, the University applied for and received \$3,222,360 of grant funding from the Coronavirus Relief Fund passed through the State of South Carolina (SC CARES). Of this amount, \$339,846 was used to offset the Spring 2020 student fee adjustments mentioned above. The University used the remaining SC CARES funding as reimbursement for eligible expenses incurred in response to and recovery from activities as a result of the COVID-19 pandemic.

As of the date of this report, the University's management is unsure of the full effect of COVID 19, has not concluded the aggregate impact of the virus, and will be monitoring and evaluating on an ongoing basis to determine the effect of this on its ongoing operations and on the value of its assets and obligations long term.

Uncertainties - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The COVID-19 pandemic has resulted in major changes in the local economy. At this point, the full impact of this pandemic on the Foundation is unknown, but management believes that it could negatively impact its support and revenue for the foreseeable future.

Contingencies / Commitments - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result in litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 13 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS,** Continued

Contingencies / Commitments - Non Governmental Discretely Presented Component Unit, Continued

***The Winthrop University Foundation,*** Continued

Guaranteed Lease Liability

In 2020, the Winthrop University Foundation Land and Real Estate Subsidiary, LLC sold commercial condominium property, consisting of two office suites, that was gifted in 2009 for the benefit of an endowed fund. The terms of the sales contract included provisions that the Foundation restrict a portion of the sales proceeds as a guarantee to the buyer for certain future lease income for the two office suites. The first guarantee is for \$1,800 per month for 14 months and will expire in 2021. The second guarantee is \$10,000 per year for five years and will expire in 2024. As the current property owner confirms receipt of realized lease income, the Foundation releases a periodic allocation of the liability back to the fund that benefitted from the original gift. Contingent on the terms of the contract, the Foundation will release the liability as follows:

	Suite 1	Suite 2	Total
2021	\$ 12,600	10,000	22,600
2022	-	10,000	10,000
2023	-	10,000	10,000
2024	-	10,000	10,000
	<u>\$ 12,600</u>	<u>40,000</u>	<u>52,600</u>

At the date of their report, management is not aware of any contingencies that will result in any material loss to the Foundation.

Contingencies / Commitments - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

In connection with the Bonds issued and outstanding (See Note 8), WUREF, LLC had entered into a \$16,400,000 fixed interest rate swap agreement in conjunction with the Series 2002A bond issuance to manage exposure from the variable interest rate connected to the bond. Because of the low interest rate environment, the swap agreement carries annual realized losses.

For the year ended December 31, 2020, due to the impact of the COVID 19 pandemic, WUREF, LLC was unable to meet the specified debt service coverage ratio of the bond continuing covenant agreement. Therefore, WUREF, LLC, requested and was granted a one-time waiver of the calculation of the debt service ratio by the registered owner of the bonds.

**NOTE 14 - RELATED PARTIES**

The Alumni Association of Winthrop University is a separately chartered legal entity whose activities are primarily to provide financial assistance and other support to the University and its educational program. The Alumni Association is an eleemosynary corporation. The Association exists to promote the growth, progress and general welfare of Winthrop University and to foster among its former students a sentiment of regard for one another and a continuing attachment to their Alma Mater. Financial statements for this entity are audited by independent auditors and retained by the Association.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 15 - DONOR RESTRICTED ENDOWMENTS**

At June 30, 2021, the University held \$499,628 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized gain at June 30, 2021 was \$616,085. This amount is included in the restricted expendable scholarships and fellowships amount in the Statement of Net Position. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowments were established. At June 30, 2021, the income available to be spent is \$204,771 of which \$157,789 is restricted to specific purposes.

**NOTE 16 - RISK MANAGEMENT**

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 16 - RISK MANAGEMENT**, Continued

On August 21, 2018, during a roof construction project on the Music Conservatory / Byrnes Auditorium, a roof fire ignited involving the wooden framed hatch access cover to the Number 2 Supply Fan for the auditorium. The smoke from the fire and the extinguishing agent used to put out the fire quickly filled the auditorium and conservatory. Due to the massive extent of the cleanup, Winthrop has been working with State Insurance Reserve Fund (IRF) and the roofer's insurance carriers to resolve this claim. Insurance proceeds are expected to cover the majority of the losses with respect to the building; however, there is a potential liability of uncovered costs related to building repairs. Once the insurance proceeds are received, cleanup and restoration will begin, and the bidding on the Music Conservatory / Byrnes Auditorium (Byrnes Auditorium) project will resume.

**NOTE 17 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2021 are summarized as follows:

Instruction	\$ 44,347,959
Research	1,977,704
Public Service	10,402,377
Academic Support	8,273,077
Student Services	17,087,866
Institutional Support	12,580,152
Operation and Maintenance of Plant	13,070,157
Scholarships and Fellowships	12,291,948
Auxiliary Enterprises	10,512,940
Depreciation	3,884,980
Total Operating Expenses	<u>\$ 134,429,160</u>

**NOTE 18 – NONOPERATING FEDERAL GRANTS AND CONTRACTS**

Nonoperating Federal grants and contracts for the year ended June 30, 2021 are summarized as follows:

State Fiscal Stabilization Funds	\$ -
Federal Pell Grant Program - 2020	153,228
Federal Pell Grant Program - 2021	9,052,178
Education Stabilization Fund under the CARES Act - HEERF	11,966,737
COVID-19, Coronavirus Relief Fund	3,222,360
Total	<u>\$ 24,394,503</u>

Funds received for the Federal Pell program are recorded as nonoperating Federal grants and contracts in the accompanying Statement of Revenues, Expenses and Changes in Net Position. Prior to June 30, 2011, funds received for Pell were reported as operating grants and contracts.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 19 - COMPONENT UNITS**

The Foundation and WUREF, Inc. maintain their accounts in accordance with generally accepted accounting principles. They are required to report information regarding their financial position and activities according to two classes of net assets:

*Net assets without donor restrictions* – Net assets that represent expendable funds available for the operations of the Foundation or WUREF, Inc. which are not otherwise limited by donor restrictions. Designated net assets represent amounts designated by the Board of Directors for purposes other than operations.

*Net assets with donor restrictions* – Net assets consisting of funds stipulated by donors for specific operating purposes or programs, those with time restrictions, or those not currently available for use until commitments regarding their use have been fulfilled. When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, the net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation and WUREF, Inc. are also included as a component of net assets with donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as net assets with donor restriction support.

Contributions are recorded as revenue when unconditional promises (pledges) to give are received. Pledges to give that are due in the next year are recorded at their net realizable value. Pledges to give that are due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of discounts is reported as additional contribution revenue according to donor-imposed restrictions if any.

***The Winthrop University Foundation***

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the University. The Foundation's activities are governed by its Board of Directors.

The University recorded Non Governmental gifts receipts of \$2,051,527 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2021. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2021 are \$261,449 due from the Foundation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 19 - COMPONENT UNITS**, Continued

***The Winthrop University Foundation***, Continued

Net Assets Without Donor Restrictions

The Foundation's net assets without donor restrictions include cash available for operations, a board designated reserve account and a board designated quasi-endowment. The board reserve is maintained in an investment account separate from the pooled investments. Reserve funds can be used for any purpose deemed appropriate by the Foundation board and typically serve to meet University priority needs. The balance of the board reserve was \$439,774 at December 31, 2020.

The quasi-endowment is maintained with the pooled investments. Investment income may be appropriated for general expenditures and amounts from its corpus can be made available with board approval. The balance of the quasi-endowment was \$2,229,146 at December 31, 2020.

Net Assets With Donor Restrictions

The Foundation's net assets with donor restrictions include amounts that are temporarily restricted for specified times and/or purposes and those that are permanently restricted for an indefinite period of time.

**Time-Restricted Net Assets**

Temporarily-restricted net assets in the amount of \$5,928,995 are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. During the year ended December 31, 2020, \$803,323 in temporarily-restricted net assets were released from restriction for expenses satisfying the restricted purpose of the donors.

**Permanently Restricted Net Assets**

*Split Interest Agreements*

Permanently restricted net assets in the form of split-interest agreements are planned gifts in the form of charitable gift annuities, charitable remainder trusts and beneficial interests in trusts held by others. When realized, these remainder gifts will be available for use by Winthrop University for student scholarships, academic support, and physical facilities. At December 31, 2020, the estimated available value of these remainder gifts is \$721,990. Net assets released in 2020 for annuity payments to donors was \$144,146.

Fair value of securities held	\$ 2,456,287
Less annuity obligations	<u>(1,734,297)</u>
Permanently Restricted Net Assets from Split Interest Agreements	<u><u>\$ 721,990</u></u>

*Cash Value of Life Insurance*

Proceeds from life insurance policies are to be held in perpetuity in accordance with the donor's specifications. The cash value of these policies as of December 31, 2020 was \$53,915 and is reflected as permanently restricted net assets in the Foundation's financial statements.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 19 - COMPONENT UNITS**, Continued

***The Winthrop University Foundation***, Continued

**Endowment Funds**

The Foundation's net assets classification has not been significantly affected by the new regulations under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Foundation's spending and investment policies are designed to maintain the historical cost of all endowment gifts as permanent net assets and to appreciate those assets at a rate above inflation over the long-term for preservation of capital value. As of December 31, 2020, the Foundation had \$67,417,583 in assets to be held in perpetuity. In accordance with the Foundation's spending policy \$943,521 was released from restriction in 2020, satisfying the restricted purpose of the donors.

***Winthrop University Real Estate Foundation, Inc.***

In 2002, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately \$19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF Development, LLC to provide management services for assigning students to rooms and collecting required fees. For the period July 1, 2020 thru June 30, 2021, the fee for management services amounted to \$157,566. WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

In addition, the University recorded Non Governmental gifts receipts of \$0 from WUREF Development, LLC in nonoperating revenues for the fiscal year ending June 30, 2021. These funds would primarily be used to support student scholarships for the University.

Component unit receivables as of June 30, 2021 are \$1,001,266 due from WUREF, Inc.

**Net Assets without donor restrictions designated by the Board of Directors**

At December 31, 2020, net assets without donor restrictions designated by the Board of Directors was \$522,718. In accordance with the Operations Reserve Funds Policy of WUREF, Inc., the Board of Directors (the "Board") reviews the Surplus Funds available from WUREF Development LLC for the previous audited year. The Board then allocates those funds to the ongoing operations of its subsidiaries, to Winthrop University (a related party) to further the University's mission, and to other uses determined by the Board.

Net assets without donor restrictions are designated by the Board for the following purposes:

Undesignated	\$ 420,376
Winthrop University	79,236
WUREF Development, LLC for bond renewal	10,000
WUREF, Inc. and WRE, LLC	13,106
Total net assets designated by the Board	<u>\$ 522,718</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2021

**NOTE 20 – SUBSEQUENT EVENTS**

Management has evaluated events subsequent to the date of the Statement of Net Position.

In July 2021, the University completed a structural inspection of both high-rise residence halls, Wofford and Richardson. This inspection was performed out of an abundance of caution after the Miami tragedy. Based on the results, the University has decided to close Wofford Hall ahead of its May 2022 schedule to go offline. Given the age of these high-rise residence halls and the need for more desirable student housing options, the University is exploring the future of both Wofford and Richardson as they relate to the campus master planning process.

The University's management continues to monitor and evaluate the effect of COVID-19 on its operations. As of the date of this report, the University is in the process of revising its food service contract. This revision is due to a decline in enrollment numbers, primarily due to the COVID-19 pandemic, when compared to the original contract enrollment numbers.

Subsequent Events - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Management has evaluated events subsequent to the date of the statement of financial position through August 24, 2021 the date the financial statements were available to be issued.

On March 1, 2021, the Direct Purchase Series 2011 Indenture was re-purchased by the previous bond holder for the face amount of \$12,550,000. Aside from an increase in the debt service coverage ratio in the continuing covenant requirement, the interest rate, due date and other relevant payment terms remain unchanged. The swap agreement also remained in force and unchanged.

## **OTHER FINANCIAL INFORMATION**

**WINTHROP UNIVERSITY**  
Schedule Reconciling State Appropriation Per the Financial Statements  
To State Appropriation Recorded in State Accounting Records  
For the Year Ended June 30, 2021

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as nonoperating revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2020-2021 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2021:

**Non-Capital Appropriations**

Non-Capital Appropriations per 2020-2021 Appropriations Act	\$	19,508,974
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**State Budget and Control Board Allocations:**

State Budget and Control Board Approved		
Allocation for Pay Plan	364,926	
Allocation for SCRS and PORS 1.00% Rate Increase	143,335	
Allocation for Health Insurance	175,841	
From SC Education Lottery Fund - Technology Program	362,400	
From Commission on Higher Education -		
Academic Endowment Incentive Match	10,715	
Revised Non-Capital Appropriations - Legal Basis	20,566,191	
Accrued Funding for Net Payroll Adjustments	(277,365)	
Appropriations drawn but not expended during the current fiscal year	-	
Total Non-Capital Appropriations Recorded		
As Current Year Revenue	\$	20,288,826

**Capital Appropriations**

Proceeds drawn during the current fiscal year	\$	1,929,376
Plus: Expenses incurred but not drawn during the current fiscal year		744,605
Less: Proceeds drawn but not expended during the current fiscal year		-
Total Capital Appropriations Recorded as Current Year Revenue	\$	2,673,981

**Research Infrastructure Bond Proceeds**

Proceeds drawn during the current fiscal year	\$	-
Plus: Expenses incurred but not drawn during the current fiscal year		-
Less: Proceeds drawn but not expended during the current fiscal year		-
Total Research Infrastructure Bond Proceeds Recorded		
As Current Year Revenue	\$	-

## **REQUIRED SUPPLEMENTARY INFORMATION**



**WINTHROP UNIVERSITY**  
Required Supplemental Information  
For the Year Ended June 30,

**SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)**

**Schedule of Winthrop University's Proportionate Share of the Net Pension Liability**

<u>Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered- Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2021	0.392603%	\$ 100,317,139	\$ 27,467,916	365.22%	50.70%
2020	0.387175%	88,408,091	25,848,572	342.02%	54.40%
2019	0.411364%	92,173,454	27,603,452	333.92%	54.10%
2018	0.417993%	94,096,947	28,359,664	331.80%	53.30%
2017	0.399163%	85,260,628	26,327,792	323.84%	52.90%
2016	0.437758%	83,022,915	29,052,225	285.77%	57.00%
2015	0.445350%	76,674,505	29,338,296	261.35%	59.90%

**Schedule of Winthrop University's Contributions**

<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency / (Excess)</u>	<u>University's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2021	\$ 6,290,370	\$ 6,290,370	\$ -	\$ 27,299,460	23.04%
2020	6,347,596	6,347,596	-	27,467,916	23.11%
2019	5,486,050	5,486,050	-	25,848,572	21.22%
2018	5,280,158	5,280,158	-	27,603,452	19.13%
2017	4,876,141	4,876,141	-	28,359,664	17.19%
2016	4,275,085	4,275,085	-	26,327,792	16.24%
2015	4,473,914	4,473,914	-	29,052,225	15.40%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**WINTHROP UNIVERSITY**  
Required Supplemental Information  
For the Year Ended June 30,

**POLICE OFFICERS RETIREMENT SYSTEM (PORS)**

**Schedule of Winthrop University's Proportionate Share of the Net Pension Liability**

<b>Year</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of the Net Pension Liability</b>	<b>Covered-Employee Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2021	0.040885%	\$ 1,355,843	\$ 616,523	219.92%	58.80%
2020	0.042699%	1,223,731	619,333	197.59%	62.70%
2019	0.043433%	1,230,690	601,177	204.71%	61.70%
2018	0.055700%	1,526,053	745,378	204.74%	60.90%
2017	0.054940%	1,393,412	700,344	198.96%	60.40%
2016	0.055760%	1,215,309	690,800	175.93%	64.60%
2015	0.055350%	1,059,697	659,511	160.68%	67.50%

**Schedule of Winthrop University's Contributions**

<b>Year</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency / (Excess)</b>	<b>University's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2021	\$ 72,199	\$ 72,199	\$ -	\$ 435,302	16.59%
2020	105,253	105,253	-	616,523	17.07%
2019	99,573	99,573	-	619,333	16.08%
2018	90,438	90,438	-	601,177	15.04%
2017	106,142	106,142	-	745,378	14.24%
2016	96,228	96,228	-	700,344	13.74%
2015	92,635	92,635	-	690,800	13.41%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**WINTHROP UNIVERSITY**  
Required Supplemental Information  
For the Year Ended June 30,

**SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND (SCRHITF)**

**Schedule of Winthrop University's Proportionate Share of the Net OPEB Liability**

<u>Year</u>	<u>Proportion of the OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2021	0.565843%	\$ 102,142,846	\$ 52,158,471	195.83%	8.39%
2020	0.564699%	85,391,098	49,387,650	172.90%	8.44%
2019	0.603339%	85,496,666	51,979,351	164.48%	7.91%
2018	0.633964%	85,869,385	53,461,195	160.62%	7.60%

**Schedule of Winthrop University's OPEB Contributions**

<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency / (Excess)</u>	<u>University's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2021	\$ 3,162,810	\$ 3,162,810	\$ -	\$ 51,515,035	6.14%
2020	3,037,310	3,037,310	-	52,158,471	5.82%
2019	2,978,485	2,978,485	-	49,387,650	6.03%
2018	2,790,604	2,790,604	-	51,979,351	5.37%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**WINTHROP UNIVERSITY**  
Required Supplemental Information  
For the Year Ended June 30,

**SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND (SCLTDITF)**

**Schedule of Winthrop University's Proportionate Share of the Net OPEB Liability**

<u>Year</u>	<u>Proportion of the OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2021	0.409680%	\$ 1,242	99.29%
2020	0.418155%	8,230	95.17%
2019	0.428761%	13,125	92.20%
2018	0.427446%	7,749	95.29%

**Schedule of Winthrop University's OPEB Contributions**

<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to the Contractually Required Contribution</u>	<u>Contributions Deficiency / (Excess)</u>
2021	\$ 32,586	\$ 32,586	\$ -
2020	34,036	34,036	-
2019	33,878	33,878	-
2018	34,132	34,132	-

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**SINGLE AUDIT SECTION**

Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance With Government Auditing Standards

The Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Winthrop University, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Winthrop University's basic financial statements, and have issued our report thereon dated September 30, 2021. Our report includes a reference to other auditors who audited the financial statements of The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. as described in our report on Winthrop University's financial statements. The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc.'s financial statements were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Winthrop University's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winthrop University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Winthrop University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

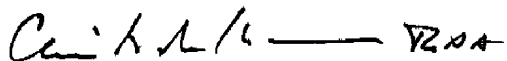
As part of obtaining reasonable assurance about whether Winthrop University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item **2021-001**.

### **Winthrop University's Response to Findings**

Winthrop University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Winthrop's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Cynthia L. [unclear] CPA". The signature is written in a cursive, flowing style.

Gaffney, SC  
September 30, 2021

Independent Auditor's Report on Compliance for Each  
Major Program; Report on Internal Control Over  
Compliance: Required by Uniform Guidance

The Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Winthrop University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Winthrop University's major federal programs for the year ended June 30, 2021. Winthrop University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winthrop University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Winthrop University's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Winthrop University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



## Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item **2021-001**. Our opinion on each major federal program is not modified with respect to this matter.

Winthrop University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Winthrop's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

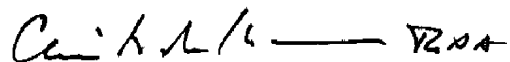
## Report on Internal Control Over Compliance

Management of Winthrop University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit of compliance, we considered Winthrop University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winthrop University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Gaffney, SC  
September 30, 2021

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
as of June 30, 2021

<b>FEDERAL GRANTOR</b> Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	Total Expenditures FY2021
<b>Department of Justice / Office of Justice Programs</b>			
Bulletproof Vest Partnership Program	16.607		481
Comprehensive Opioid Abuse Site-Based Program	16.838		40,903
<b>TOTAL NATIONAL SECURITY AGENCY</b>			<b>\$ 41,384</b>
<b>National Science Foundation</b>			
Social, Behavioral and Economic Sciences	47.075	SES-1527762	R&D 1,187
Subtotal 47.075			<b>\$ 1,187</b>
Education and Human Resources	47.076	DUE-1540690 DUE-2038406	R&D 173,827
Pass-Through Claremont University			
Education and Human Resources	47.076		R&D 7,502
Subtotal 47.076			<b>\$ 181,329</b>
Office of Integrative Activities	47.083	OIA-1655740	R&D 220,518
Subtotal 47.083			<b>\$ 220,518</b>
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>			<b>\$ 403,034</b>
<b>Small Business Administration</b>			
Pass-Through the University of South Carolina			
COVID-19, Small Business Development Centers	59.037	SBAHQ-20-C-0077	146,655
Small Business Development Centers	59.037	SBAHQ-20-B-0059	232,335
<b>TOTAL SMALL BUSINESS ADMINISTRATION</b>			<b>\$ 378,990</b>

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
as of June 30, 2021

<b>FEDERAL GRANTOR</b> Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	Total Expenditures FY2021
<b>DEPARTMENT OF EDUCATION</b>			
Offices of Federal Student Aid & Postsecondary Education			
Student Financial Assistance			
Supplemental Education Opportunities Grant	84.007	PO07A203816	SFA 347,020
Subtotal 84.007			\$ 347,020
Federal Work Study Program	84.033	P033A203816	SFA 92,868
Subtotal 84.033			\$ 92,868
Federal Perkins Loan Program	84.038	P038A063816	SFA 1,451,690
Subtotal 84.038			\$ 1,451,690
Federal PELL Grant Program	84.063	PO063P200379	SFA 9,052,178
Federal PELL Grant Program	84.063	PO063P190379	SFA 153,228
Subtotal 84.063			\$ 9,205,406
Federal Direct Student Loan Program FY20	84.268	P268K200379	SFA 155,712
Federal Direct Student Loan Program FY21	84.268	P268K190379	SFA 40,050,269
Subtotal 84.268			\$ 40,205,981
Teacher Education Assistance for College and Higher Education Grants	84.379	P379T210379	SFA 229,130
Teacher Education Assistance for College and Higher Education Grants	84.379	P379T200379	SFA 1,882
Subtotal 84.379			\$ 231,012
Subtotal - Student Financial Aid Cluster			\$ 51,533,977
Education Stabilization Fund under the CARES Act			
COVID-19 Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion	84.425E		\$ 2,917,944
COVID-19 HEERF - Institution Portion	84.425F		\$ 8,424,276
COVID-19 HEERF - Strengthening Institutions Program (SIP)	84.425M		\$ 624,517
Subtotal Education Stabilization Fund under the CARES Act 84.425E, 84.425F, and 84.425M			\$ 11,966,737
TRIO Cluster			
TRIO - Student Support Services	84.042	PO42A200283	223,532
TRIO - Student Support Services	84.042	PO42A15391-19	50,367
Subtotal 84.042			\$ 273,899
TRIO - McNair Post Baccalaureate Achievement	84.217	P217A180094 P217A190094	234,896
Subtotal 84.217			\$ 234,896
Subtotal - TRIO Cluster			\$ 508,795

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
as of June 30, 2021

<b>FEDERAL GRANTOR</b> Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	Total Expenditures FY2021
<b>Office of Discretionary Grants and Support Services</b>			
Teacher Quality Partnership Grant Program Network for Sustained Educational Residencies that Value Equity (NetSERVE)	84.336S	U336S190012	\$ 538,640
Subtotal 84.336S			\$ 538,640
<b>Office of Post Secondary Education</b>			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A		24,422
Subtotal 84.334A			\$ 24,422
<b>Office of Special Education and Rehabilitative Services</b>			
English Language Acquisition State Grants	84.365	T362Z160278	R&D 445,593
Subtotal 84.365			\$ 445,593
<b>TOTAL US DEPARTMENT OF EDUCATION</b>			\$ 65,018,164
<b>US Department of Health and Human Services</b>			
<b>National Institute of Health</b>			
Biomedical Research and Research Training Pass-Through the Kentucky	93.859	31-2083 SXN 4	852
Biomedical Research and Research Training	93.859	2P20GM103499-15 2P20GM103499-20	R&D 191,091
Subtotal 93.859			\$ 191,943
<b>US Department of Health and Human Services</b>			
<b>National Institute of Health</b>			
Pass Through US Center for Disease Control Behavioral Risk Factor Surveillance System	93.336	4000042710	163,649
Subtotal - 93.336			\$ 163,649
Pass Through SC Department of Social Services COVID-19, Child Care and Development Block Grant	93.575		\$ 45,652
Subtotal - 93.575			\$ 45,652
<b>TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			\$ 401,244
<b>Federal Program</b>			
Pass Through State of SC COVID-19, Coronavirus Relief Fund	21.019		3,030,053
Subtotal 21.019			\$ 3,030,053
<b>TOTAL US DEPARTMENT OF THE TREASURY</b>			\$ 3,030,053
<b>TOTAL ALL FEDERAL FUNDS</b>			\$ 69,272,869

**WINTHROP UNIVERSITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Winthrop University. The reporting entity is defined in Note 1 of the University's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

The University has not elected to use the 10% de minimis cost rate.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the University's financial statements.

3. LOAN PROGRAMS

The University has students who have approved loans which were received by those students during the current year. The University is not the lender, it only processes them for the lender the student chooses. The totals and types of loans received for the current fiscal year are:

Federal Direct Loans	<u><u>\$ 40,205,981</u></u>
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The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was \$1,150,256 as of June 30, 2021. The expenditures for June 30, 2021 are calculated as follows:

June 30, 2020 Loan Balance	\$ 1,451,690
Current Year Loans Made	-
Current Year Administrative Cost Allowance	<u>-</u>
Total	<u><u>\$ 1,451,690</u></u>

**WINTHROP UNIVERSITY**  
Summary Schedule of Prior Audit Findings  
June 30, 2021

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

**DEPARTMENT OF EDUCATION**

**Finding 2020-001 Gramm-Leach –Bliley Act- Student Information Security- Student Financial Aid Cluster**

**Condition:** The University has designated an individual to coordinate its information security system, has developed its Information Security Implementation Plan, and has yet to complete a risk assessment that addresses the three required areas noted in 16 CFR 314.4(b).

**Criteria:** The Gramm-Leach-Bliley Act requires the University to explain their information-sharing practices to their customers and to safeguard sensitive data.

**Cause:** An Information Security Implementation Plan has not been fully implemented.

**Effect:** The University is not currently in full compliance with its Program Participation Agreement with the Department of Education and the Gramm-Leach-Bliley Act. They have not begun the process of regularly testing and monitoring the effectiveness of their designed safeguards.

**Recommendation:** We recommend that the University complete the implementation of its Information Security Implementation Plan to address the regular, systematic testing, monitoring and documenting of the safeguards' key controls, systems and procedures for each risk identified.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2020-001.

**Corrective Action Plan:** The University agrees with this finding and adheres to the corrective action plan on page 90 in this audit report.

**Winthrop University**  
Schedule of Findings and Questioned Costs  
June 30, 2021

**Summary of Auditors' Results:**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP.

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiency(ies) identified?

Noncompliance material to financial statements noted?

Unmodified	
Yes	No <u>  x  </u>
Yes	No <u>  x  </u>
Yes <u>  x  </u>	No <u>          </u>

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

Significant deficiency(ies) identified?

Yes	No <u>  x  </u>
Yes	No <u>  x  </u>

Type of auditor's report issued on compliance for major federal programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ?

Unmodified	
Yes <u>  x  </u>	No <u>          </u>

Identification of major federal programs:

CFDA# Various	Student Financial Aid Cluster
CFDA# 84.336S	NetSERVE
CFDA# 84.425E	COVID-19 Higher Education Emergency Relief Fund (HEERF)- Student Aid Portion
CFDA# 84.425F	COVID-19 Higher Education Emergency Relief Fund (HEERF)- Institutional Portion
CFDA# 84.425M	COVID-19 Higher Education Emergency Relief Fund (HEERF)- Strengthening Institutions Program (SIP)
CFDA# 21.019	COVID-19, Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

	\$750,000
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Auditee qualified as low-risk auditee?

Yes <u>  x  </u>	No <u>          </u>
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**Winthrop University**  
Schedule of Findings and Questioned Costs, Continued  
June 30, 2021

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

**DEPARTMENT OF EDUCATION**

**Finding 2021-001 Gramm-Leach –Bliley Act- Student Information Security- Student Financial Aid Cluster**

**Condition:** The University has designated an individual to coordinate its information security system, has developed its Information Security Implementation Plan, and has yet to complete a risk assessment that addresses the three required areas noted in 16 CFR 314.4(b). **[Repeat]**

**Criteria:** The Gramm-Leach-Bliley Act requires the University to explain their information-sharing practices to their customers and to safeguard sensitive data.

**Cause:** An Information Security Implementation Plan has not been fully implemented.

**Effect:** The University is not currently in full compliance with its Program Participation Agreement with the Department of Education and the Gramm-Leach-Bliley Act. They have not begun the process of regularly testing and monitoring the effectiveness of their designed safeguards.

**Recommendation:** We recommend that the University complete the implementation of its Information Security Implementation Plan to address the regular, systematic testing, monitoring and documenting of the safeguards' key controls, systems and procedures for each risk identified.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2020-001.

**Corrective Action Plan:** The University agrees with this finding and adheres to the corrective action plan on page 90 in this audit report.





*Office of the President*

September 30, 2021

Findings and Questioned Costs Relating to Federal Awards

Department of Education

Finding 2021-001 Gramm-Leach-Bliley Act – Student Information Security – Student Financial Aid Cluster:

Condition: The University has designated an individual to coordinate its information security system, has developed its Information Security Implementation Plan, and has yet to complete a risk assessment that addresses the three required areas noted in 16 CFR 314.4(b).

Contact Persons: Jeremy Whitaker, Associate VP for Finance and Business, and Justin Oates, Vice President for Finance and Business Affairs

FY 2021 Corrective Action Taken

Since the original finding, Winthrop has worked to come into compliance with GLBA.

On October 25, 2019, the Board of Trustees adopted a resolution authorizing the implementation of a Comprehensive Information Security Plan. In March 2020, the Coronavirus pandemic hit and unfortunately, this delayed progress on this implementation plan while the University had to spend most of its resources in addressing the pandemic issues and concerns.

In December 2020, after the initial hit of the pandemic was over, the University's President and executive leadership approved an Information Security Implementation Plan that addressed compliance with the Gramm-Leach-Bliley Act. The University is committed to full implementation of this plan. The University has and will continue to provide adequate resources toward accomplishing this objective.

During Fall 2020, the University had a failed solicitation to acquire software to be used to systematically test and monitor, on a routine basis, the effectiveness of our safeguards' key controls. During the fiscal year, the University experienced a significant decline in administrative personnel campus-wide, but especially in the Finance and Business Affairs division. In early Spring 2021, there was complete turnover in the Procurement Office. Due to budgetary constraints as well as the current market situation, the University was unable to remedy this staffing situation until June 2021.

In the prior year Corrective Action response, the University stated that the remaining component of this plan is scheduled to be completed by September 30, 2021. During the summer, a successful solicitation was completed and a contract was awarded. As of the date of this letter, the software has been procured, installed, and has started logging data.

Dr. George Hynd  
President

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